



CalCAP

CALIFORNIA **CAPITAL ACCESS** PROGRAM

Lender Portfolio Insurance



CALIFORNIA
POLLUTION
CONTROL
FINANCING
AUTHORITY

SMALL BUSINESS PROGRAM LENDER MANUAL



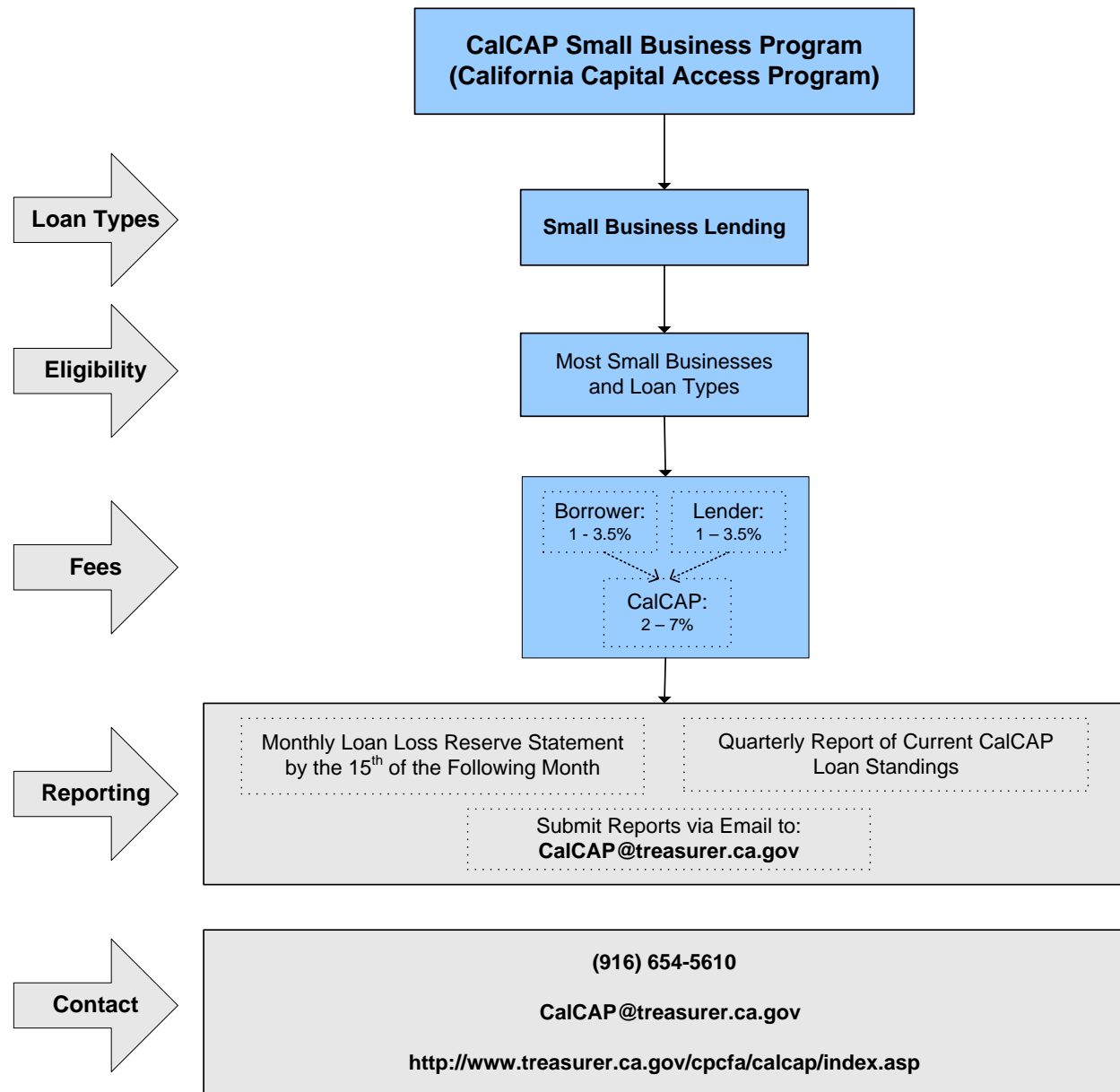
CALIFORNIA
**CAPITAL
ACCESS**
PROGRAM

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I. AT-A-GLANCE

This California Capital Access Small Business Program (CalCAP SB) Lender Manual provides instructions, examples, and regulations for enrolling small business loans and filing claims. Lenders are encouraged to use this manual as a guide and to frequently visit the CalCAP SB website at <http://www.treasurer.ca.gov/cpcf/calcap/index.asp> for the most current version of the manual, updated forms, and latest rules and regulations. Lenders should also ensure CalCAP is kept informed of changes to the lender's primary CalCAP SB program contact information.



II. PROGRAM PARTICIPATION REQUIREMENTS

A. Overview

The California Capital Access Small Business Program (CalCAP SB) encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing.

CalCAP SB is a form of loan portfolio insurance which may provide up to 100% coverage on certain loan defaults. By participating in CalCAP SB, lenders have available to them a proven mechanism to meet the financing needs of California's small businesses.

	Small Business Lending
Business Requirements ☞ Full Text of CalCAP Regulations can be found in Chapter VIII.	<ul style="list-style-type: none">▪ \$2.5M max. per loan▪ \$5M max. per business▪ 500 employees or fewer
Authorized Loan Types or Uses ☞ Full Text of CalCAP Regulations can be found in Chapter VIII.	<ul style="list-style-type: none">▪ Acquisition of Land▪ Construction or Renovation of Buildings▪ Purchase of Equipment▪ Other Capital Projects including Working Capital

B. Small Business Lending

The CalCAP SB program offers lenders a mechanism to provide loans to small businesses that may otherwise not be able to obtain a loan under conventional underwriting. With CalCAP SB, lenders are able to cover portions of loans that exceed the risk threshold normally set for business loans.



Almost any business loan is eligible under CalCAP SB, with few exceptions noted below. Loans can be used to finance the acquisition of land, construction or renovation of buildings, the purchase of equipment, other capital projects and working capital.



There are limitations on real estate loans and loan refinancing. Other prohibited uses of loan proceeds include but are not limited to gambling facilities, bars, and adult entertainment business.



Refer to CalCAP Regulations 8070 and 8072 as appended in Chapter VIII for full disclosure of eligible and ineligible uses of loan proceeds.

Flexibility	Restrictions
<ul style="list-style-type: none">▪ Lenders set all the terms and conditions of the loans and decide which loans to enroll into CalCAP SB.▪ Lenders determine the premium levels to be paid by the borrower and lender (within the parameters of the Program). Premiums are placed in the lender's loss reserve account as each CalCAP SB loan is enrolled.▪ Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule.▪ Lenders can enroll all or a portion of a loan.▪ Lenders can restructure loans by extending terms of CalCAP SB loans, amending covenants or releasing collateral.	<ul style="list-style-type: none">▪ \$5 million maximum loan enrollment amount per business.▪ \$2.5 million maximum loan enrollment per individual loan every 3 years.▪ \$100,000 maximum lender/borrower contribution for any single borrower in a three year period.▪ The business activity resulting from the bank's loan must be created and retained in California.▪ The borrower's primary business and at least 51% of its employees or business income, sales or payroll must be in California.▪ The borrower's business must be in one of the industries listed in the qualified Standard Industry Classification (SIC) or the North American Industry Classification System (NAICS) codes list. ☞ NAICS: http://www.census.gov/eos/www/naics▪ The small business must be classified as a small business under U.S. Small Business Administration guidelines (Title 13 of the Code of Federal Regulations) and have fewer than 500 employees. ☞ U.S. Small Business Administration Guidelines: http://www.ecfr.gov

III. ENROLLING A LOAN

A. Overview

Lenders must **submit** to CalCAP the following forms and documentation with each loan enrollment request:

	CalCAP SB
Required	
1. CalCAP Small Business Loan Enrollment Application ☞ http://www.treasurer.ca.gov/cpcf/calcap/sb/enrollment.pdf	√
2. Borrower Certification ☞ http://www.treasurer.ca.gov/cpcf/calcap/sb/certification.pdf	√
3. Proof of Borrower and Lender Premium Deposit	√
4. NAICS Print-Out ☞ http://www.census.gov/eos/www/naics/	√
5. Borrower Privacy Notice ☞ http://www.treasurer.ca.gov/cpcf/calcap/forms/privacy.pdf	√
If Applicable	
4. Appraisal or other reputable documentation of the property value – only for commercial real estate loans	√
5. Print-out of web page showing borrower is located in Severely Affected Community (SAC), if applicable: ☞ High Unemployment Area: http://www.labormarketinfo.edd.ca.gov/Content.asp?pageid=1003 ☞ Enterprise Zone: http://www.hcd.ca.gov/fa/ez/enterprise/newmap.html	√
6. CalRecycle Authorization – only for borrower fees paid by CalRecycle (form must be authorized by CIWMB) ☞ http://www.treasurer.ca.gov/cpcf/calcap/sb/calrecycle.pdf	√
7. CalCAP Small Business “Borrower Agreement to Pay Lender Fee” form – only for applications where the borrower is paying both the lender and borrower premium ☞ http://www.treasurer.ca.gov/cpcf/calcap/sb/fees.pdf	√



CalCAP SB loan enrollment applications must be **received** at CalCAP within **15 business days of the “Date of First Disbursement” (Date of Loan)** by email, fax, or regular mail:



CalCAP@Treasurer.ca.gov



(916) 589-2805



CPCFA/CalCAP SB
915 Capitol Mall, Room 457
Sacramento, CA 95814

B. CalCAP Small Business Loan Enrollment

Before submitting a CalCAP SB loan enrollment application, lenders should ensure the following pertinent documentation is fully completed:

Required

- ✓ CalCAP SB Loan Enrollment Application
- ✓ NAICS Print-Out
- ✓ Proof of Premium Deposit by lender and borrower
- ✓ Borrower Certification

If Applicable

- ✓ Commercial Property Appraisal
- ✓ Severely Affected Community Information
- ✓ CalRecycle Authorization
- ✓ Borrower Agreement to Pay Lender Fee



In addition, CalCAP regulations require lenders to obtain various assurances from the borrower related to the eligibility of the borrower's business and purpose of the loan proceeds. Further, pursuant to the California Information Practices Act of 1977 (Civil Code Section 1798.17), lenders are to provide the borrower with a copy of the privacy notice disclosing borrower data collected by lenders on behalf of CalCAP.

While CalCAP does not prescribe a standard format for the borrower certification and privacy notice, examples of those documents can be found in Chapter VII of this manual and on CalCAP's website at:

- ✓ Borrower Certification for Small Business Loan Enrollments:
<http://www.treasurer.ca.gov/cpcf/calcap/sb/certification.pdf>
- ✓ Privacy Notice: <http://www.treasurer.ca.gov/cpcf/calcap/forms/privacy.pdf>



Any alteration of certifications need to be approved by CalCAP prior to use.

Copies of these documents need to be submitted with the loan enrollment package and the original set should be maintained with the borrower's loan file and made available to CalCAP for review upon request.

B.1. Instructions for Completing the CalCAP SB Loan Enrollment Application

This section provides instructions for lenders on how to complete the CalCAP SB Loan Enrollment Application, which is the primary form needed for lenders to enroll a loan with the CalCAP small business lending program.

A copy of the application can be found in Chapter VII of this manual. However, lenders should always check CalCAP's website for the most current version of the application:

☞ <http://www.treasurer.ca.gov/cpcf/calcap/sb/enrollment.pdf>

Form 1: CalCAP Small Business Lending Loan Enrollment Application

Lender Information Section

CALIFORNIA CAPITAL ACCESS PROGRAM
California Pollution Control Financing Authority
CalCAP@treasurer.ca.gov

915 Capitol Mall, Room 457
Sacramento, CA 95814
Fax (916) 589-2805

CalCAP Use Only	CalCAP Loan # Date Received
-----------------------	--------------------------------------

CalCAP LOAN ENROLLMENT APPLICATION

Lender Information

Participating Lender _____ Lender ID# _____
Loan Officer Name _____ Phone _____
Loan Officer Email _____

Field:	Information Needed:
▪ Participating Lender	✓ Name of the financial institution.
▪ Lender ID	✓ The financial institutions' assigned CalCAP Lender ID. This number was issued and provided on the signed copy of the lender's "Financial Institution Enrollment" agreement and "Welcome Letter" that accompanied it. (This number never changes.)
▪ Loan Officer Name	✓ Name of lender representative CalCAP can contact with questions about this enrollment.
▪ Loan Officer Email	✓ Email of Loan Officer named above.
▪ Phone	✓ Direct phone number with area code for Loan Officer named above.

Borrower Information Section

Borrower Information

Name _____ DBA _____
Address _____ City _____ County _____ Zip _____
Type of Business/Activities _____ What year was the business incorporated or opened? _____
Annual Revenues Last Fiscal Year \$ _____ Average Annual Revenue Last 3 Years \$ _____
Number of Employees _____ Number of Full Time Equivalents _____ Jobs created _____ Jobs retained _____
Is business located in a Severely Affected Community? ☐ Yes ☐ No
Will loan monies be used at above address? ☐ Yes ☐ No If no, location where loan will be used:
Address _____ City _____ County _____ Zip _____
NAICS Code _____ Census Tract # _____
<http://www.census.gov/eos/www/naics/> <http://www.fdic.gov/Geocode/default.aspx>
Purpose of Loan _____
Is business minority owned? ☐ Yes ☐ No ☐ Decline to Answer Is business woman owned? ☐ Yes ☐ No ☐ Decline to Answer
Is business veteran owned? ☐ Yes ☐ No ☐ Decline to Answer

Field:	Information Needed:
▪ Name	✓ Name of the primary borrower representing the business.
▪ DBA	✓ Name of business (sole proprietor, partnership, corporation, etc.)
▪ Address, City, County, Zip	✓ Address of the business.
▪ Type of Business/Activities	✓ List the function of the business. "What does the business do?" (e.g. retail sales, carpet cleaning, burger restaurant, etc.) ☞ Refer to the FAQs in Chapter VI for business function examples.
▪ What year was the business incorporated or opened?	✓ 4-digit year the business either opened, was incorporated, or was taken over by the new owner. ☞ If the business is a start-up, use current year.
▪ Annual Revenues Last Fiscal Year \$	✓ List the borrower's annual business revenues for the last fiscal year—rounded to the nearest whole dollar amount. ☞ If the business is a start-up, use the current income or \$0.
▪ Average Annual Revenue Last 3 Years	✓ List the borrower's combined average annual business revenue for the last three years—rounded to the nearest whole dollar amount. ☞ If the business is a start-up, use the current income or \$0.
▪ Number of Employees	✓ Number of all full-time or part-time employees of the business. Must be a minimum of 1 and cannot exceed 500. ☞ Refer to the FAQs in Chapter VI for instructions on how to report the number of employees.
▪ Number of Full Time Equivalents	✓ Number of full time equivalent (FTE) employees of the business—rounded to the nearest whole number. Must be a minimum of 1 and cannot exceed 500. ☞ Refer to the FAQs in Chapter VI for instructions on how to report the number of FTEs.
▪ Jobs created	✓ Number of jobs created for the business as a result of the loan. ☞ If jobs are not created as a result of the loan, use "0".
▪ Jobs retained	✓ Number of jobs retained for the business as a result of the loan. ☞ If jobs are not retained as a result of the loan, use "0".

- Is business located in a Severely Affected Community?
☐ Yes ☐ No

- ✓ Indicate whether the business is in a Severely Affected Community (SAC) as reported by data from:
 - Employment Development Department (EDD) for High Unemployment Areas:
<http://www.labormarketinfo.edd.ca.gov/Content.asp?pageid=1003>
 - Housing and Community Development for Enterprise Zones:
<http://www.hcd.ca.gov/fa/ez/enterprise/newmap.html>
- Follow the instructions below to determine whether the business is located in a SAC. If the business is located in a Severely Affected Community, submit print-outs of the EDD or Enterprise Zones information with the enrollment application.

High Unemployment Areas

Step 1: Go to the California Employment Development Website at: <http://www.labormarketinfo.edd.ca.gov/Content.asp?pageid=1003> and click on "California and Counties".

State of California
Employment Development Department

Home | Unemployment | Disability | Jobs & Training | Payroll Taxes | Labor Market Info

LaborMarketInfo
Monthly Data Release

Each month the EDD releases revised and preliminary civilian labor force, unemployment rates, and industry employment by geography for California, metropolitan areas, counties, and sub-county areas.

Current Unemployment Rates

- California and Counties
- California and Metropolitan Areas
- Local Workforce Investment Areas
- Cities and Places by County
- Historical Unemployment Rates (Excel format)

Step 2: Print the document and highlight the state-wide unemployment rate.

State of California
April 19, 2013
March 2012 Benchmark

Employment Development Department
Labor Market Information Division
<http://www.labormarketinfo.edd.ca.gov>
(916) 262-2162

REPORT 400 C
Monthly Labor Force Data for Counties
March 2013 - Preliminary
Data Not Seasonally Adjusted

COUNTY	RANK BY RATE	LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE
STATE TOTAL	---	18,557,700	16,817,200	1,740,500	9.4%
ALAMEDA	10	779,100	718,900	60,200	7.7%
ALPINE	19	560	510	50	9.0%

Step 3: Go back to the EDD homepage and click on “Cities and Census Designated Places”.

State of California
Employment Development Department

CA.GOV

Home | Unemployment | Disability | Jobs & Training | Payroll Taxes | Labor Market Info

Search []

This Site | California

LaborMarketinfo Monthly Data Release

Each month the EDD releases revised and preliminary civilian labor force, unemployment rates, and industry employment by geography for California, metropolitan areas, counties, and sub-county areas.

Current Monthly Press Releases

Quick Jump to View a Press Release:

Data for areas on the drop down list that have an * after the name offer multi-county Metropolitan Area data only.

Or view links by area type:

Official EDD Statewide News Release

California Employment Highlights for March 2013

Industry Employment and Labor Force Data for:

- California
- Counties
- Metropolitan Areas

Labor Force Data only for:

- **Cities and Census Designated Places**
- Local Workforce Investment Areas

[Hours and Earnings Data by Selected Industries](#)

Current Unemployment Rates

- California and Counties
- California and Metropolitan Areas
- Local Workforce Investment Areas
- Cities and Places by County
- Historical Unemployment Rates (Excel format)

These Data Are Also Called

- Monthly Job Outlook
- Economy Today
- Unemployment Rate Data
- EDD Jobs Report

Additional Resources

- Data Release Schedule
- Historical Industry Employment Data Files (Excel format)
- Historical Unemployment Rates (Excel format)
- Methodology for Generating Labor Force Data
- Methodology for Generating Industry Employment Data
- US Bureau of Labor Statistics

Step 4: Select the borrower's county.

State of California
Employment Development Department

CA.GOV

Home | Unemployment | Disability | Jobs & Training | Payroll Taxes | Labor Market Info

Search []

This Site | California

Labor Force and Unemployment Rate for Cities and Census Designated Places

Get data for other areas:

- California
- Counties
- Metropolitan Areas
- **Cities and Census Designated Places**
- Local Workforce Investment Areas
- California Labor Market Review

These data are updated monthly and are provided here for April 2013. Only not seasonally-adjusted labor force (unemployment rates) data are developed for cities and Census Designated Places (CDP). Estimates of employment by industry are not available. See the notes below about the limitations of these data.

For additional release details, please visit our [2013 Release Schedule](#)

Data for All County Sub-Areas:

Current Month

Annual Averages:

[2012](#) | [2011](#) | [2010](#) | [2009](#) | [2008](#) | [Historical Data](#)

Cities and Census Designated Places by Individual County:

- **Alameda**
- Alpine (no city file)
- Amador
- Butte
- Calaveras

Step 5: Print the document and highlight the county-wide **and** the borrower's city unemployment rate.

	A	B	C	D	E	F	G	H
1	State of California				Employment Development Department			
2	May 17, 2013				Labor Market Information Division			
3	March 2012 Benchmark				http://www.labormarketinfo.edd.ca.gov			
4					(916) 262-2162			
5								
6	Monthly Labor Force Data for Cities and Census Designated Places (CDP)							
7	April 2013 - Preliminary							
8	Data Not Seasonally Adjusted							
9								
10		Labor	Employ-	Unemployment		Census Ratios		
11	Area Name	Force	ment	Number	Rate	Emp	Unemp	
12								
13	Alameda County	777,300	722,800	54,500	7.0%	1.000000	1.000000	
14								
15	Alameda city	41,100	39,100	2,000	4.8%	0.054107	0.035933	
16	Albany city	9,400	9,100	300	2.9%	0.012594	0.005057	
17	Ashland CDP	10,500	9,700	900	8.1%	0.013383	0.015704	
18	Berkeley city	60,100	56,100	4,000	6.7%	0.077667	0.073463	
19	Gastro Valley CDP	31,800	30,500	1,300	4.1%	0.042225	0.023955	
20	Cherryland CDP	6,800	6,100	700	10.3%	0.008396	0.012776	
21	Dublin city	15,900	15,200	700	4.2%	0.021033	0.012244	
22	Emeryville city	4,700	4,400	200	5.0%	0.006130	0.004259	
23	Fairview CDP	5,400	5,200	200	4.3%	0.007161	0.004259	
24	Fremont city	112,800	107,100	5,700	5.0%	0.146188	0.103806	
25	Hayward city	71,700	66,000	5,600	7.8%	0.091365	0.103008	
26	Livermore city	42,400	40,400	1,900	4.5%	0.055952	0.035134	
27	Newark city	23,000	21,500	1,500	6.5%	0.029690	0.027415	
28	Oakland city	204,100	182,100	21,900	10.8%	0.251928	0.402715	
29	Piedmont city	5,600	5,400	200	3.6%	0.007510	0.003726	
30	Pleasanton city	36,600	35,300	1,300	3.5%	0.048805	0.023423	

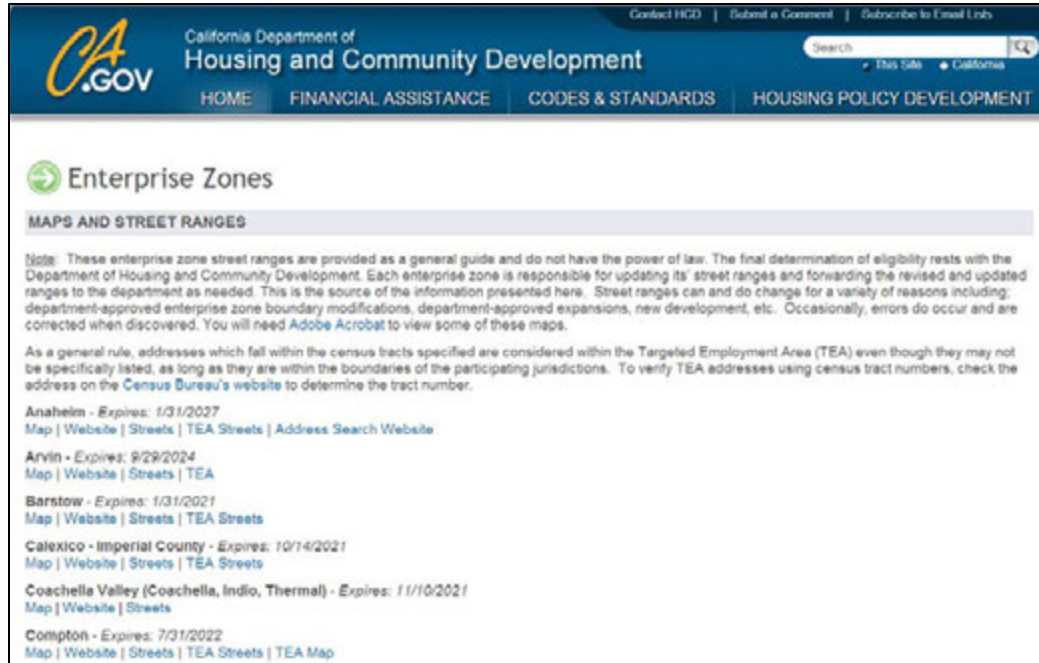
Step 6: If the borrower's county or city unemployment rate is 110% or more than the current California state-wide unemployment rate as of the date of the loan, then the enrollment is located in a Severely Affected Community.

☞ For example: If the current California unemployment rate is 9.4%, any business located in a city or county with an unemployment rate of 10.34% or higher is considered located in a Severely Affected Community ($9.4 \times 1.1 = 10.34$).

Step 7: If the borrower is located in a Severely Affected Community, submit with the loan enrollment package print-outs of the web pages for the **"Monthly Labor Force Data for Counties"** (Step 2 above) and **"Monthly Labor Force Data for Cities and Census Designated Places"** (Step 5 above).

Enterprise Zones

Step 1: Go to the California Department of Housing and Community Development website at: <http://www.hcd.ca.gov/fa/ez/enterprise/newmap.html>



Step 2: Compare the borrower's address to the current listing of enterprise zones. If the borrower's address is located within one of the enterprise zones, the enrollment is located in a Severely Affected Community.

Step 3: If the borrower is located in a Severely Affected Community, submit with the loan enrollment package a print-out of the web page indicating enterprise zone street address range and highlight the city or county.

- Will loan monies be used at above address? ☐ Yes ☐ No
- If no, location where loan will be used: Address, City, County, Zip

- ✓ Indicate whether the proceeds of the loan are being used to support the business at a different business location than listed in the "Business Address" field above.
- ✓ If answered "no", list the address of where the loan proceeds will be used.
- ☞ If answered "yes", leave address, city, county, zip fields blank.

▪ NAICS Code

✓ Six digit number used by the North American Industry Classification System (NAICS) to categorize business types.

🔗 <http://www.census.gov/eos/www/naics/>

The screenshot shows the NAICS website interface. At the top, there's a navigation bar with links like 'People', 'Business', 'Geography', 'Data', 'Research', and 'Newsroom'. Below this is the 'North American Industry Classification System' title and a set of tabs: 'Main', 'History', 'Development Partners', 'Federal Register Notices', 'NAICS', and 'FAQs'. The 'NAICS' tab is selected.

On the left side, there's a 'NAICS Search' section with three input fields for keywords or 2-6 digit codes, each with a corresponding search button. The first field contains 'Farm Equipment' and the search button is '2012 NAICS Search'. The second field is empty and the search button is '2007 NAICS Search'. The third field is empty and the search button is '2002 NAICS Search'.

In the center, there's a '2012 NAICS Key Word Search' section. It shows 'Search results for: Farm Equipment' and 'Number of records found: 9'. Below this, a list of results is displayed with their corresponding NAICS codes and descriptions:

- 333111 Feed processing equipment, farm-type, manufacturing
- 333111 Drags, farm-type equipment, manufacturing
- 423820 Planting machinery and equipment, farm-type, merchant wholesalers
- 423820 Farm machinery and equipment merchant wholesalers
- 423820 Conveying equipment, farm, merchant wholesalers
- 423830 Conveying equipment (except farm) merchant wholesalers
- 532490 Farm equipment rental or leasing
- 811310 Tractor, farm or construction equipment repair and maintenance services
- 811310 Farm machinery and equipment repair and maintenance services

On the bottom left, there's a 'Downloads/Reference Files/Tools' section with links to '2012 NAICS', '2007 NAICS', '2002 NAICS', 'Concordances', and 'NAICS Update Process Fact Sheet [PDF, 37kB]'.

At the bottom of the page, there's a footer with the text 'Measuring America—People, Places, and Our Economy' and a navigation bar with links: 'ABOUT US', 'FIND DATA', 'BUSINESS & INDUSTRY', 'PEOPLE & HOUSEHOLDS', 'GEOGRAPHY', and 'NEWSROOM'.

Two red boxes with arrows point to specific elements on the page:

- Step 1:** Enter business activity type (e.g. Farm Equipment). This box points to the 'Farm Equipment' text in the first search input field.
- Step 2:** Select 6-digit code that best describes the business activity. This box points to the '811310' code in the search results list.

▪ Census Tract #

- ✓ 11-digit number used to identify the specific location of a business to provide more reporting consistency and uniformity.

☞ <http://www.ffiec.gov/Geocode/default.aspx>

FFIEC FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Promoting uniformity and consistency in the supervision of financial institutions

FFIEC Main | Disclaimer | Privacy Policy | Contact Us | Search | FFIEC Census Report | Help

Geocoding System

The FFIEC is under contractual agreement with Tele Atlas, its data source vendor for this system, which limits Internet users to enter one address at a time and obtain the appropriate geocoding information. For batch geocoding, please contact Tele Atlas at InfoNA@teleatlas.com for ordering the data.

Requirements: This system requires that you enter a street address along with either a city and state OR a zip code. The FFIEC web site (www.ffiec.gov) is a public web site. In order to see this public web site, you must configure your firewall systems properly to allow this site to be seen by your network. Therefore, you should set the appropriate parameters consistent with your firewall technology and security policies to safeguard your network environment. You may need the assistance of Information Technology professionals trained to work with your individual telecommunications/security systems to configure the correct settings to enable the use of our web site while simultaneously protecting your computer environment.

Continue using year 2012 geocoding results for calendar year 2013 CRA/HMDA reporting until year 2013 geocoding becomes available (scheduled for mid-year 2013).

Year: 2012

Street Address: 915 capitol mall

City: sacramento

State: CA - California

Zip Code: 95814

Search Reset

Input the borrower's business address and click the "Search" button

FFIEC FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Promoting uniformity and consistency in the supervision of financial institutions

FFIEC Main | Disclaimer | Privacy Policy | Contact Us | Search | Back to Geocode | FFIEC Census Report | Help on Data

Geocoding System

Geocode Search Result for 2012 HMDA/CRA Reporting

Street Address	915 CAPITOL MALL	MSA/MD Code	40900
City Name	SACRAMENTO	State Code	06
State Abbreviation	CA	County Code	067
Zip Code	95814	Tract Code	0011.01

MSA/MD Name: SACRAMENTO--ARDEN-ARCADE--ROSEVILLE, CA
State Name: CALIFORNIA
County Name: SACRAMENTO COUNTY

Get Census Demographic Get Street Map

Use:

1. State Code: **06**
2. County Code: **067**
3. Tract Code: **0011.01**

To arrive at the Census Tract # of the business:

060670011.01

▪ Purpose of Loan	✓ Brief description of the use of loan proceeds (e.g. "working capital" or "purchase equipment").
▪ Is business minority owned? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decline to Answer	✓ The business is minority owned if at least 51% of the business is owned by one or more minority individuals.
▪ Is business woman owned? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decline to Answer	✓ The business is woman owned if at least 51% of the business is owned by one or more women.
▪ Is business veteran owned? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decline to Answer	✓ The business is veteran owned if at least 51% of the business is owned by one or more veterans.
Loan Information Section	
<p><u>Loan Information</u></p> <p>Is this loan enrolled in any other government guarantee program? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, name the program: _____</p> <p>What percent of loan is enrolled in other program? _____% What percentage of loan is being enrolled in CalCAP? _____%</p> <p>Lender Loan Number _____ Type of Loan: <input type="checkbox"/> Line of Credit <input type="checkbox"/> Term Loan</p> <p>Total Loan Amount \$ _____ Loan Amount Enrolled in CalCAP \$ _____</p> <p>Date of First Disbursement (Date of Loan) _____ Maturity Date _____</p> <p>Interest Rate _____% <input type="checkbox"/> Fixed <input type="checkbox"/> Variable Is the loan secured? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Is this loan a restructure of a prior CalCAP Loan? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, provide the CalCAP Loan # _____</p> <p>Remaining balance on loan being restructured: \$ _____ Amount of increase requested: \$ _____</p> <p>Borrower Premium \$ _____ % Lender Premium \$ _____ %</p> <p>Is an Independent Contributor being used to pay the premiums? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, Name of Contributor Program _____</p>	
Field:	Information Needed:
▪ Is this loan enrolled in any other government guarantee program? <input type="checkbox"/> Yes <input type="checkbox"/> No ▪ If "Yes", name the program: ▪ What percent of loan is enrolled in other program? ▪ What percentage of loan is being enrolled in CalCAP?	✓ You may not "double enroll" a loan that is already covered by another government program, but you may enroll the unguaranteed portions, except the unenrolled portion of an SBA loan when using federal funds. ✓ Provide the name of the other program the loan is enrolled in. For example, if \$75,000 of a \$100,000 is enrolled in the other program and \$25,000 is enrolled with CalCAP, then the percent enrolled in other program equals 75%. ✓ Following the previous example, the percentage enrolled in CalCAP equals 25%. ☞ If no amount is enrolled in another program, use 100%.
▪ Lender Loan Number	✓ List the unique loan number associated with the borrower's loan. ☞ If the enrollment is a pre-qualification request, leave field blank.
▪ Type of Loan: <input type="checkbox"/> Line of Credit <input type="checkbox"/> Term Loan	✓ Field defaults to "Line of Credit". Change if necessary and check one box only.
▪ Total Loan Amount	✓ The total amount loaned to the borrower associated with the unique loan number (regardless of amount enrolled in CalCAP).
▪ Loan Amount Enrolled in	✓ The portion of the loan the lender requests to enroll with CalCAP. This

CalCAP \$	<p>amount should be equal to or less than the amount in the “Total Loan Amount” field.</p> <p>☞ Use this amount to calculate applicable lender and borrower premiums.</p>
<ul style="list-style-type: none"> ▪ Date of First Disbursement (Date of Loan) 	<p>✓ Date of loan (if term loan) or date of first disbursement (if line of credit).</p> <p>☞ This date triggers the clock for the 15-day deadline to submit an enrollment application to CalCAP.</p> <p>☞ If the enrollment is a pre-qualification request, leave this field blank.</p>
<ul style="list-style-type: none"> ▪ Maturity Date 	<p>✓ The date (MM/DD/YYYY) the enrolled loan matures. CalCAP will insure enrollment for a maximum of 10 years, regardless of maturity date.</p> <p>☞ If the enrollment is a pre-qualification request, leave this field blank.</p>
<ul style="list-style-type: none"> ▪ Interest Rate ▪ <input type="checkbox"/> Fixed <input type="checkbox"/> Variable 	<p>✓ Annual Percentage Rate (APR) for the enrolled loan.</p> <p>✓ Indicate whether interest rate remains the same (fixed) or changes (variable) over the life of the loan.</p> <p>☞ If answered “variable”, provide the starting rate and the index the variable rate is tied to.</p>
<ul style="list-style-type: none"> ▪ Is the loan secured? <input type="checkbox"/> Yes <input type="checkbox"/> No 	<p>✓ If collateral is used to secure the loan, answer “yes”—otherwise, answer “no”.</p>
<ul style="list-style-type: none"> ▪ Is this loan a refinancing of a prior CalCAP Loan? <input type="checkbox"/> Yes <input type="checkbox"/> No ▪ If Yes, provide the CalCAP Loan # ▪ Remaining balance on loan being refinanced ▪ Amount of increase requested 	<p>✓ Answer “yes” if this loan represents a refinance of an existing CalCAP enrolled loan—otherwise, answer “no”.</p> <p>✓ If answered “yes”, list the unique CalCAP Loan Number previously assigned to this loan by CalCAP.</p> <p>✓ Provide the residual balance on the old loan prior to the refinance.</p> <p>✓ List the portion of the loan that is being advanced above the amount already indicated in the “remaining balance” field.</p> <p>☞ The “amount of increase” serves as the basis for calculating the new borrower and lender premiums.</p>
<ul style="list-style-type: none"> ▪ Borrower Premium 	<p>✓ Provide the dollar amount and percentage based on the enrolled amount or increase of the loan.</p> <p>☞ Percentage rate must be between 1% and 3.5%.</p>
<ul style="list-style-type: none"> ▪ Lender Premium 	<p>✓ Lender and borrower premiums must be equal. Submit the “Borrower’s Agreement to Pay Lender Fee” if borrower pays lender fee.</p> <p>☞ http://www.treasurer.ca.gov/cpcf/calcap/sb/fees.pdf</p>
<ul style="list-style-type: none"> ▪ Is an Independent Contributor being used to pay the premiums? <input type="checkbox"/> Yes <input type="checkbox"/> No ▪ If yes, Name of Contributor Program 	<p>✓ An independent contributor can pay all or a portion of the borrower, lender, and CalCAP premiums, or any combination thereof, depending on the program.</p> <p>✓ If answered “yes”, provide the name of the independent contributor program (CalRecycle).</p> <p>☞ CalCAP will calculate the dollar amount and percentage to be contributed.</p> <p>✓ If answered “no”, leave field blank.</p>

Signature and Certification Section

CALIFORNIA CAPITAL ACCESS PROGRAM
California Pollution Control Financing Authority
CalCAP@treasurer.ca.gov

915 Capitol Mall, Room 457
Sacramento, CA 95814
Fax (916) 589-2805

Borrower Name

Lender Loan Number

By enrolling this loan the Participating Financial Institution certifies, based in part on information provided by the Borrower (please initial each item):
* all capitalized terms are defined in 4 CCR §8070 of the California Code of Regulations.

- _____ The loan is a Qualified Loan as defined in 4 CCR §8070(s) of the California Code of Regulations.
- _____ The business receiving the Qualified Loan is a Qualified Business, as defined in 4 CCR §8070(r) or 4 CCR §8078.2(c) of the California Code of Regulations.
- _____ The Qualified Loan is for a business activity that has its Primary Economic Effect in California as defined in 4 CCR §8070(o) of the CPCFA Regulations.
- _____ The Participating Financial Institution will provide information from financial records of the Borrower upon request of the Executive Director of the CPCFA, and the Participating Financial Institution has obtained the consent of the Borrower to such disclosure.
- _____ The Participating Financial Institution has obtained a written representation from the Borrower that the Borrower has no legal, beneficial or equitable, interest in the Fees or the Matching Contribution.
- _____ The enrolled amount of the loan does not exceed \$2,500,000.
- _____ The Participating Financial Institution has notified the Borrower if the Participating Financial Institution's share of the Fees for the Qualified Loan has been paid by the Borrower.
- _____ The Participating Financial Institution has obtained a written representation from the Borrower that it has secured or made application for all applicable licenses or permits needed to conduct its business.
- _____ The Participating Financial Institution has not, and will not, enroll the same loan or portion thereof in any other government program substantially similar to the Program.
- _____ The Borrower has received the CPCFA/CalCAP Privacy Notice.

Field:	Information Needed:
▪ Borrower Name	✓ Name of borrower. ☞ Field will auto-fill if form is completed electronically.
▪ Lender Loan Number	✓ List the unique loan number associated with the borrower's loan. ☞ If the enrollment is a pre-qualification request, leave field blank. ☞ Field will auto-fill if form is completed electronically.
▪ 10 Spaces for Initials	✓ Lender to initial all 10 assurances.

Signature and Certification Section (continued)

For participation in the Federal fund, the Participating Financial Institution must obtain the following assurances from the Borrower per 4 CCR §8078.2 of the California Code of Regulations:

- _____ The loan is used for a business purpose allowed by the U.S. Treasury.
- _____ The loan will not be used for purposes prohibited by the U.S. Treasury.
- _____ The loan will not be used to finance ineligible businesses prohibited by the U.S. Treasury.

For participation in the Federal fund, the Lender hereby certifies to the State the following:

- _____ The loan has not been made in order to place under the protection of the state program prior debt that is not covered under the state program and that is or was owed by the borrower to the lender or to an affiliate of the lender.
- _____ The loan is not a refinancing of a loan previously made to that borrower by the lender or an affiliate of the lender.
- _____ The lender is not attempting to enroll the unguaranteed portions of SBA-guaranteed loans.

As required by Section 3011(c)(2) of the Small Business Jobs Act of 2010, the private entity hereby certifies to the State that the Principals of the private entity have not been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this Certification, Principal means the following: if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20% or more ownership interest in the partnership; and if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity.

The Participating Financial Institution acknowledges that its lending activities are subject to safety and soundness standards as set forth in any applicable federal banking regulations.

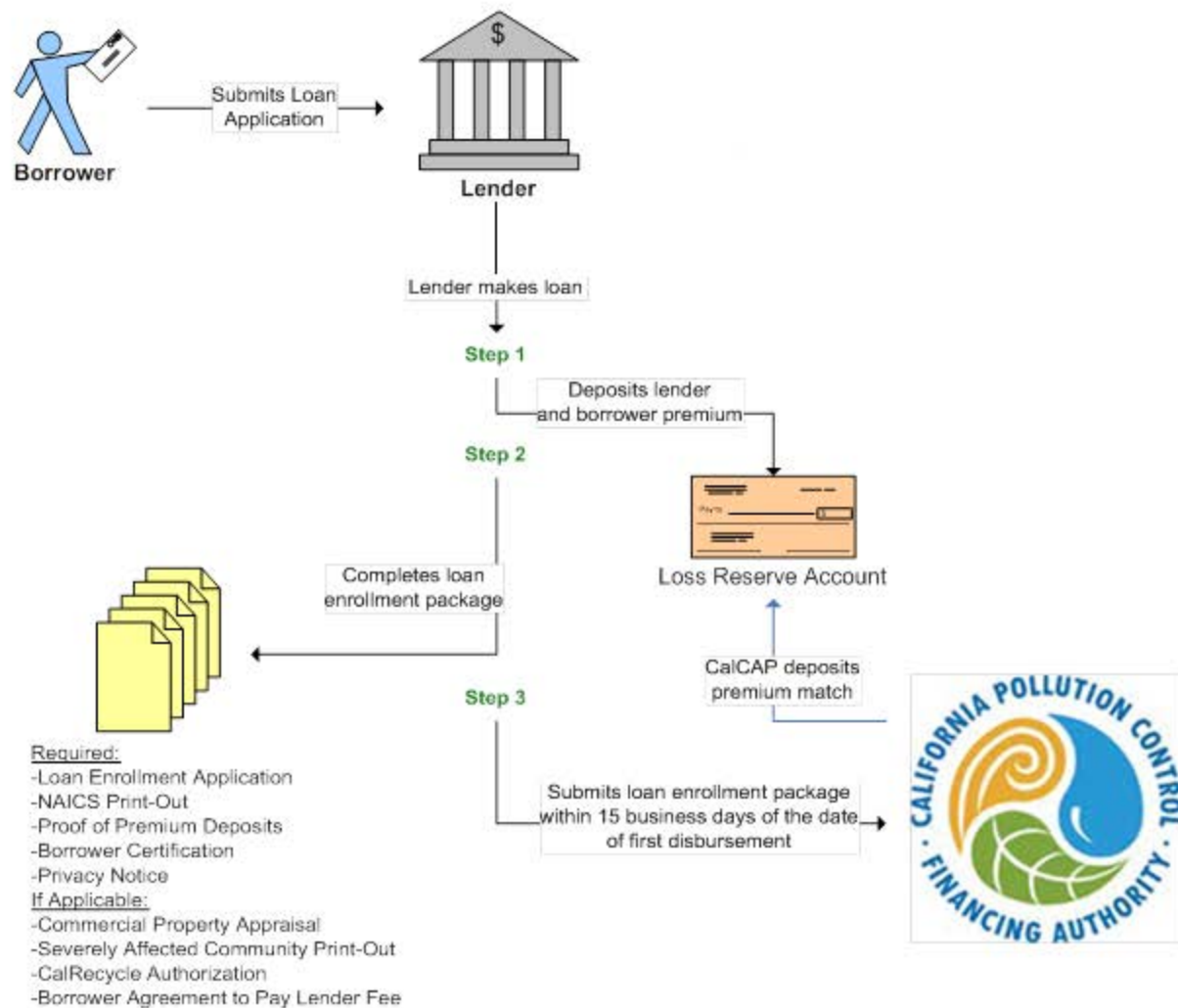
Authorized Lender Signature

Title

Date

Field:	Information Needed:
▪ 7 Spaces for Initials	✓ Lender to initial all 7 assurances. ☞ Do not initial if loan does not qualify for Federal funds.
▪ Authorized Lender Signature	✓ To be signed by the Lender designated authorized signer.
▪ Title	✓ Title of the Lender designated authorized signer.
▪ Date	✓ Date the enrollment was signed.

B.2. Summary CalCAP Loan Enrollment Flow



IV. SUBMITTING A CLAIM

Lenders are required to notify CalCAP within 120 days of when the lender has charged off all or part of a qualified loan as a result of default. If the form is filled out properly and the lender has faithfully complied with CalCAP SB requirements, CalCAP will authorize the Program trustee or Lender financial institution to reimburse the lender from the lender's loss reserve account within 30 business days.

In addition to the claim form, lenders should submit: (1) a complete transaction history of the account and (2) a short written synopsis of why the loan charged off, receipts for any out-of-pocket expenses being claimed, liquidation efforts (if any) and future collection efforts (if any).

A copy of the form can be found in Chapter VII of this manual. However, lenders should always check the CalCAP SB website for the most current version:

☞ Claim Application: <http://www.treasurer.ca.gov/cpcfa/calcap/forms/claim.pdf>

Form 2: Claim Application Form

Lender and Borrower Information Section											
<div><div>CALIFORNIA CAPITAL ACCESS PROGRAM California Pollution Control Financing Authority</div><div>915 Capitol Mall, Room 457 Sacramento, CA 95814 Telephone (916) 654-5610 Fax (916) 589-2805</div></div>											
<p align="center">CalCAP FINANCIAL INSTITUTION CLAIM APPLICATION</p> <p>NOTE: A lender is required to notify the Authority within 120 days of when the lender has charged off all or part of a qualified loan as a result of default by a borrower. If the form is filled out properly and the lender has faithfully complied with CalCAP requirements, CPCFA will authorize the Program trustee to reimburse the lender from the lender's loss reserve account within 30 business days.</p> <p><u>Lender and Borrower Information</u></p> <table><tr><td>Participating Lender: _____</td><td>Lender's CalCAP ID #: _____</td></tr><tr><td>Lender Contact: Name: _____</td><td>CalCAP Loan Number: _____</td></tr><tr><td>Phone: _____</td><td>Borrower's Name: _____</td></tr><tr><td>Address: _____</td><td>Borrower DBA: _____</td></tr><tr><td>_____</td><td></td></tr></table>		Participating Lender: _____	Lender's CalCAP ID #: _____	Lender Contact: Name: _____	CalCAP Loan Number: _____	Phone: _____	Borrower's Name: _____	Address: _____	Borrower DBA: _____	_____	
Participating Lender: _____	Lender's CalCAP ID #: _____										
Lender Contact: Name: _____	CalCAP Loan Number: _____										
Phone: _____	Borrower's Name: _____										
Address: _____	Borrower DBA: _____										

Field:	Information Needed:										
▪ Participating Lender	✓ Name of the financial institution.										
▪ Lender Contact	✓ Name, phone number, and address of lender representative CalCAP can contact with questions about this claim.										
▪ Lender's CalCAP ID#	✓ The financial institution's assigned CalCAP Lender ID. This number was issued and provided on the signed copy of the lender's "Financial Institution Enrollment" agreement and "Welcome Letter" that accompanied it. (This number never changes.)										
▪ CalCAP Loan Number	✓ The number CalCAP assigned to the loan after it was approved. This number can be found on the approved CalCAP loan enrollment										

	application form. A copy of this was returned to the lender.
▪ Borrower's Name	✓ Name of borrower.
▪ Borrower DBA	✓ Name of business. "Doing business As".
Loan Information Section	
<u>Loan Information</u> Original Principal Amount of Loan: _____ Date of Loan: _____ Default Amount: _____ Date of Default: _____ Is this loan secured? <input type="checkbox"/> Yes <input type="checkbox"/> No Date of Charge-off: _____ If yes, what form of security: _____ Was the loan in the first \$1 million of CalCAP loans made by lender? <input type="checkbox"/> Yes <input type="checkbox"/> No Have enforcement proceedings begun? <input type="checkbox"/> Yes <input type="checkbox"/> No Lender's priority of claim (If two or more claims filed by lender): _____	
Field:	Information Needed:
▪ Original Principal Amount of Loan	✓ Amount disbursed to borrower upon first funding of loan.
▪ Date of Loan	✓ Date of initial disbursement.
▪ Default Amount	✓ Delinquent amount of loan.
▪ Date of Default	✓ Date of first delinquency.
▪ Is this loan secured? <input type="checkbox"/> Yes <input type="checkbox"/> No ▪ If yes, what form of security	✓ Identify whether collateral was used to secure the loan. If answered "yes", describe the type of collateral used.
▪ Date of Charge-off	✓ Date loan was deemed uncollectable by lender and charged off the books from an asset to a liability.
▪ Was the loan in the first \$1 million of CalCAP loans made by lender? <input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Indicate whether this loan falls within the first \$1 million for a new lender (regardless of amount enrolled).
▪ Have enforcement proceedings begun? <input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Answer "yes" if lender has started collection efforts, otherwise answer "no".
▪ Lender's priority of claim (If two or more claims filed by lender)	✓ Rank the priority of this claim in comparison to other claims already filed by lender.

Claim Information Section

Claim Information

Outstanding Principal \$ _____

Accrued and Unpaid Interest \$ _____

Out-of-pocket expenses
(Attach detailed explanation) \$ _____

Total \$ _____

Please attach loan history report.

- The lender warrants this claim is being filed within 120 days of the loan being charged off and that charge-off was consistent with the lender's usual methods for taking action on loans not enrolled in the Program.
- Lender will, as CPCFA's agent, pursue additional recovery on this defaulted loan through legal proceedings, seizure and liquidation of collateral, guarantees, and/or other sources.
- Lender certifies it has given notice to the Authority of the initial enrollment of the loan in CalCAP, and either:
 (1) has given notice to the Authority of any renewals or extensions of the loan; or
 (2) the loan was continuously renewed or extended since the date of its initial enrollment in CalCAP.

Authorized Signature _____

Date _____

Title _____

Field:	Information Needed:
▪ Outstanding Principal	✓ List the amount of the outstanding principal calculated as: $\begin{array}{r} \text{Original Principal Amount} \\ - \text{Payments Applied to Principal} \\ \hline = \text{Outstanding Principal} \end{array}$
▪ Accrued and Unpaid Interest	✓ List the amount of unpaid accumulated interest from the date interest was last paid to the charge-off date.
▪ Out-of-Pocket expenses (Attach detailed explanation)	✓ List the amount of out-of-pocket expenses incurred related to delinquent loan recovery efforts and include documentation of out-of-pocket expenses
▪ Total	✓ This is the total sum of the outstanding principal, accrued and unpaid interest, and out-of-pocket expenses.
▪ Authorized Signature	✓ To be signed by the Lender designated authorized signer.
▪ Date	✓ Date the claim was signed.
▪ Title	✓ Title of the Lender designated authorized signer.

V. REPORTING REQUIREMENTS

CalCAP Regulations require financial institutions to report to CalCAP on the status of loans enrolled and associated loan loss reserve accounts on a regular basis. In addition, financial institutions should communicate to CalCAP any changes to the lender's primary contact information to ensure important communications from CalCAP are received by the appropriate lender point of contact.

A. Monthly Reporting

CalCAP Regulation §8073 (f) states:

"The Participating Financial Institution shall provide information to the Authority regarding the status of accounts, enrolled loans, claims and recoveries upon request."

All participating lenders with internally held loan loss reserve accounts are required to **submit a monthly bank statement** to CalCAP. The bank statements should provide a detailed description of the account and a complete summary of all transactions for the period covered. Failure of the lenders to comply more than two times within a six month period or more than three times in a 12 month period with the reporting requirements will result in mandatory transfer of loss reserve accounts to the CalCAP Trustee Bank.



Submit Loan Loss Reserve account statement by the 15th of the following month (e.g. the statement for January must be submitted by February 15th) either by email at CalCAP@treasurer.ca.gov or by mail to:

CPCFA/CalCAP SB
915 Capitol Mall, Room 457
Sacramento, CA 95814

B. Quarterly Reporting

Quarterly reports are due to CalCAP by the 15th of the month following the end of the quarter as follows:

Quarter Begins	Quarter Ends	Quarterly Report due to CalCAP
January 1	March 31	April 15
April 1	June 30	July 15
July 1	September 30	October 15
October 1	December 31	January 15

The quarterly report should clearly identify the CalCAP loan number, bank loan number, borrower's name and/or DBA, date of the loan (first disbursement), maturity date, total loan amount, and total amount outstanding. For loans that received a claim approval, the report should also include the date of charge off, claim amount paid, recovery dates,

recovery amounts, and comments. For an example of a quarterly report in the CalCAP preferred format, see the graphic below and refer to the CalCAP website at:

☞ <http://www.treasurer.ca.gov/cpcfa/calcap/sb/index.asp>

Quarterly Report Template [Compatibility Mode] - Microsoft Excel

CalCAP Loan Portfolio
Quarterly Report
ABC Bank
Quarter Ending 12/31/2011

last revision date 6/30/2011

LOAN INFORMATION								CLAIM INFORMATION				
CalCAP Loan #	Bank Loan Number	Borrower	DBA	Date of Loan (First Disbursement)	Maturity Date	Total Loan Amount	Total Enrolled Amount Outstanding	Date of Charge Off	Claim Amount Paid	Recovery Date	Recovery Amount	Comments
0000-00000	123-87654	John Doe	John Doe Construction	11/22/2008	11/22/2014	\$ 120,000.00	\$ 115,000.00	12/1/2009	\$45,000.00	12/15/2009	\$ 30,000.00	Recovery 30% 12/15/09
0000-00000	123-45678	Jane Doe	Jane Doe Bakery	9/1/2011	9/1/2021	\$ 25,000.00	\$ 25,000.00					
						Totals	\$ 145,000.00		\$45,000.00		\$ 30,000.00	

Failure to comply with the reporting requirements one time will result in suspension from the Program until the quarterly report is submitted to and received by CalCAP. Failure to comply a second time will result in the mandatory transfer of loss reserve accounts to the CalCAP Trustee Bank and suspension from Program. Once the loss reserve account has been transferred and the quarterly report is submitted to and received by CalCAP, the suspension will be lifted. If the Trustee already holds the loss reserve account, and a participating financial institution fails to comply a second time within a 12 month period, the participating financial institution will be suspended from the Program until the quarterly report is submitted to and received by CalCAP. Furthermore, that financial institution's ability to participate in CalCAP SB will be reassessed by the Executive Director.



Submit Quarterly Report electronically to the CalCAP email address at CalCAP@treasurer.ca.gov within 15 days of the end of the quarter.

C. Change in Lender Points of Contact

To ensure the financial institution is aware of all current CalCAP rules and regulations as well as changes to program policies or practices, lenders should keep CalCAP informed about any changes to key lender contacts by sending a brief memo to CalCAP with the new or updated name, address, phone or email contact information. Specifically, lenders should inform CalCAP of changes to:

- ☞ **Main Contact** – CalCAP's primary lender contact
- ☞ **Public Contact** – lender contact for public inquiries (name and address will be published on the CalCAP website)
- ☞ **Financial Contact** – lender contact authorized to discuss bank statements, quarterly reports, claim refunds, etc. with CalCAP
- ☞ **Mail Recipient** – lender contact authorized to receive completed loan and claim documents from CalCAP

☞ **General Emailing List** – on occasion, CalCAP sends out email announcements for new processes, new forms, lender roundtable meetings, etc. Lender should provide the email addresses for those wishing to receive such correspondence.

Updates can be submitted to the CalCAP email CalCAP@treasurer.ca.gov or by mail to:

CPCFA/CalCAP SB
Ref. Change in Lender Contact
915 Capitol Mall, Room 457
Sacramento, CA 95814



Please use “Change in Lender Contact” reference in the email subject line or in the regular mail address line.

VI. LENDER TOOLS, TIPS & FAQs

This section contains tools and tips to further assist lenders in enrolling loans, submitting claims and provides answers to most frequently asked questions. For the most recent versions, refer to the CalCAP SB website:

☞ CalCAP SB Homepage: <http://www.treasurer.ca.gov/cpcfca/calcap/sb/index.asp>

☞ FAQs: <http://www.treasurer.ca.gov/cpcfca/calcap/sb/faq.asp>

A. Lender Tools & Tips

1. Examples of Eligible and Non-Eligible Small Business Types

Most common small business types are eligible for participation in the CalCAP program with CalCAP matching up to 100 percent of the combined lender and borrower premium. However, certain businesses and activities are precluded from enrolling in the program as shown in the table below.



This table provides examples only and is not intended for nor should be considered as a comprehensive, all inclusive listing of eligible or non-eligible small business types.

☞ Refer to Chapter VIII for the full text of CalCAP Regulations and contact CalCAP directly if you are unsure about the eligibility of a specific business type.

Type of Business	Federal Funds Lender & Borrower Premium Match	State Funds Lender <u>Only</u> Premium Match
Airplane or Aircraft	eligible	eligible
Charitable, non-profit or eleemosynary institutions	eligible	eligible
Consumer and Marketing Cooperatives	eligible	eligible
Golf Course or Country Club	eligible*	eligible*
Government-owned Corporations	eligible	eligible
Health Club Facilities	eligible	eligible
Racquet Sports Facilities (including handball and racquetball)	eligible	eligible
Skating Facilities (including roller skating, skateboarding, and ice skating)	eligible	eligible
Spas that provide Massage Services	eligible	eligible
Suntan Facilities	eligible	eligible
Tennis clubs	eligible	eligible
Business that earns more than half of its annual net revenue from lending activities (unless a non-bank)	not eligible	eligible

Type of Business	Federal Funds Lender & Borrower Premium Match	State Funds Lender <i>Only</i> Premium Match
Pyramid Sales Plans	not eligible	eligible**
Store whose principal business is the sale of alcoholic beverages for consumption off premises	eligible	not eligible
Adult Entertainment (including strip clubs, adult bookstores, and business whose principal business is the sale of pornography)	not eligible	not eligible
Bars	not eligible	not eligible
Business engaged in speculative activities that develop profits from fluctuations in price rather than through the normal course of trade	not eligible	not eligible
Escort Service	not eligible	not eligible
Facility Primarily Used for Gambling or to Facilitate Gambling	not eligible	not eligible
Firms engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted	not eligible	not eligible
Gun Club, Shooting Range or Gallery	not eligible	not eligible
Hot Tub Facility	not eligible	not eligible
Massage Parlor	not eligible	not eligible
Nudist Camp	not eligible	not eligible
Racetrack	not eligible	not eligible
Store or facility whose principal business is the manufacture or sale of tobacco or tobacco products	not eligible	not eligible
Store or facility whose principal business is the sale of firearms	not eligible	not eligible

Note: **If a legitimate small business*

***If lawful multi-level sales organization*

2. Examples of Loans Eligible or Prohibited for Enrollment with CalCAP

While majority of business types are eligible for enrollment in the CalCAP SB program, certain restrictions apply to the use of loan proceeds and premium match contributions if the loan is guaranteed by CalCAP as shown in the following table.

Loan Purpose	Federal Lender & Borrower Premium Match	State Lender <u>Only</u> Premium Match
Refinance other financial institution debt provided original loan was for an eligible purpose	eligible	eligible
Refinance CalCAP or other loan (enrolling advance only)	eligible	eligible
Fund any unguaranteed portion of an SBA loan	not eligible	eligible
Purchase any portion of the ownership interest of any owner of the business or acquisition of business	not eligible	eligible
Reimburse funds owned to any owner, including any equity injection or injection of capital for the business' continuance	not eligible	eligible
Repay delinquent federal or state income taxes unless the borrower has a payment plan in place with the relevant tax authority	not eligible	eligible
Repay taxes held in trust or escrow	not eligible	eligible
Loan has been made in order to place under the protection of CalCAP prior debt that is not covered under CalCAP and that is or was owed by the Borrower to the Participating Financial Institution or to an affiliate of the Participating Financial Institution (delinquency cannot be refinanced)	not eligible	not eligible
Passive real estate	not eligible	not eligible
Construction or purchase of residential housing	not eligible	not eligible
Refinance own financial institution debt	not eligible	not eligible
Financing a non-business purpose	not eligible	not eligible

3. How to Report the Number of Employees of a Small Business Concern & Related Affiliates

To report the number of employees of a borrower, the lender will request that the borrower count all individuals employed on a full-time, part-time, or other basis. If a borrower owns multiple businesses, has acquired an affiliate, or been acquired as an affiliate, the employees counted to determine size status include the employees of all affiliates. Employees obtained from a temporary employee agency, professional employment organization, or leasing concern that received payment directly from the borrower will be included.

The borrower should consider the totality of the circumstances, including criteria used by the IRS for Federal income tax purposes, to determine whether individuals are

employees of their business. In general, an individual is considered an employee of a borrower if their compensation is issued by the borrower.



Volunteers (e.g. individuals who receive no compensation, including no in-kind compensation, for work performed) are **not** considered employees.

4. **How to Calculate Full Time Equivalency**

The number of an employer's Full Time Equivalents (FTEs) is determined by dividing the total hours for which the borrower pays wages to all employees during the year by the number of employee work hours per year. The standard calculation for employee work hours per year is 2080: calculated by multiplying 52 weeks by 40 hours per week.

Example:

In a single year a borrower pays 5 employees wages for 2,080 hours each, 3 employees wages for 1,040 hours each, and 1 employee wages for 2,300 hours. The borrower's FTEs would be calculated as follows:

1. Total hours not exceeding 2,080 per employee is the sum of:
 - a. 10,400 hours for the 5 employees paid for 2,080 hours each (5 x 2,080)
 - b. 3,120 hours for the 3 employees paid for 1,040 hours each (3 x 1,040)
 - c. 2,080 hours for the 1 employee paid for 2,300 hours (lesser of 2,300 and 2,080)

☞ These add up to 15,600 hours
2. FTEs: **8** (15,600 divided by 2,080 = 7.5, rounded to the nearest whole number)



FTEs must not exceed 500 for CalCAP SB loans.

B. Frequently Asked Questions (FAQs)

For the most current FAQs, refer to the CalCAP website at:
<http://www.treasurer.ca.gov/cpcf/cap/sb/faq.asp>

Eligibility Questions

1. Are business start-ups eligible?
2. Are non-profit organization businesses eligible?
3. Is refinancing eligible?
4. Is a loan for the financing of a real estate investment eligible?
5. Is a loan for the financing of commercial real estate eligible?

Loan Enrollment Questions

1. When do I enroll a loan in CalCAP?
2. Can I “pre-qualify” a loan enrollment with CalCAP before making the loan?
3. Must I enroll the entire loan amount with CalCAP?
4. Can I enroll a CalCAP loan with a borrower who is also receiving an SBA loan?
5. When do I notify CalCAP if I have extended or renewed a CalCAP enrolled loan?

Loan Loss Reserve Questions

1. Where is the loan loss reserve maintained?
2. How much of a CalCAP loan premium must I charge the borrower?
3. Is there a way for a lender not to pay the CalCAP loan premium?
4. How much does CalCAP contribute to the lender’s loss reserve account?

Claim Reimbursement Questions

1. When should I file a claim for reimbursement on a CalCAP loan?
2. Can I defer a claim?
3. What if I recover funds after a claim has been paid?
4. What if I don’t have enough in my loss reserve account to pay a claim?

Eligibility Questions & Answers

1. Are business start-ups eligible?

YES. CalCAP loans can assist start-up businesses. All qualified businesses must satisfy all the requirements of a “Qualified Business” and a “Small Business Concern” defined in California Code of Regulations (CCR), Title 4, Section 8070 (r) and (v).¹

2. Are non-profit organization businesses eligible?

YES. All qualified businesses must have at least one paid employee and satisfy all the requirements of a “Qualified Business” and a “Small Business Concern” defined in California Code of Regulations (CCR), Title 4, Section 8070 (r) and (v).

3. Is refinancing eligible?

YES AND NO. A lender may use a CalCAP loan to refinance debt held by another non-affiliated lender provided the original loan was for an eligible purpose. A lender may not use a CalCAP loan to refinance one of its existing loans except to the extent that the loan amount is increased [Section 8070(s)(3)]. Thus, a lender may enroll in CalCAP only the increased loan amount of any refinanced preexisting debt held by that lender. For example, a lender previously loaned \$50,000 to a qualified business, but did not enroll the loan with CalCAP. It will now refinance the existing debt and loan an additional \$10,000 to the qualified business. The lender will only be able to submit a CalCAP loan enrollment requesting \$10,000 loss coverage for the \$60,000 loan.

4. Is a loan for the financing of a real estate investment eligible?

NO. Loans for “passive” real estate investments cannot be enrolled in CalCAP [Section 8070(s)]. Defined in Section 8070(m), “Passive Real Estate Ownership” means the ownership of real estate for the purpose of deriving income from speculation, trade or rental.

5. Is a loan for the financing of commercial real estate eligible?

YES. The financing of real estate being used or intended to be used for the operation of the business of the owner of the real estate (the Borrower must be using or planning to use upon acquisition or construction of a building, at least 51 percent of the space in an existing building or at least 67 percent of the space in a newly constructed building); or the ownership of real estate for the purpose of construction or renovation, until the completion of the construction or renovation phase.

¹ All regulatory references are to Title 4 of the California Code of Regulations.

Loan Enrollment Questions & Answers

1. When do I enroll a loan in CalCAP?

Loans must be enrolled within 15 business days of the “date of first disbursement” or date of loan. The CalCAP Loan Enrollment Application can be emailed (preferred method) to CalCAP@treasurer.ca.gov or faxed to (916) 589-2805 (be sure to get a fax confirmation) or mailed to CalCAP 915 Capitol Mall, Room 457 Sacramento, CA 95814. Whichever method you chose, it must arrive in our office before the end of the 15th business day.

2. Can I “pre-qualify” a loan enrollment with CalCAP before making the loan?

YES. CalCAP encourages participating lenders to contact CalCAP staff if they are unsure if a borrower or a proposed loan satisfies the enrollment requirements for a “Qualified Business” or a “Qualified Loan” in Section 8070. However, CalCAP lenders are still required to submit the loan enrollment form for final review and approval by the Executive Director of the California Pollution Control Financing Authority or his or her designee.

3. Must I enroll the entire loan amount with CalCAP?

NO. The lender determines how much of its loan to enroll with CalCAP. For example, the lender may loan \$50,000 to the borrower, but it may choose to enroll only \$10,000 of the loan with CalCAP. The premium is only charged on the amount enrolled. In case of a loan default, the lender can only recover any outstanding amount from that portion of the loan that was enrolled with CalCAP. Interest and expenses will be paid in proportion to the enrolled amount.

4. Can I enroll a CalCAP loan with a borrower who is also receiving an SBA loan?

YES AND NO. CalCAP complements SBA programs with its full loan loss protection. For example, a CalCAP lender can make a \$100,000 loan and enroll it with SBA. SBA may protect \$85,000 (85%) of the total loan amount. The CalCAP lender can enroll the uncovered SBA amount of \$15,000 with CalCAP, thereby providing the lender 100% loan loss protection for the loan. **However**, CalCAP cannot use Federal funds for the premium contribution for the unguaranteed portion of an SBA loan. This means CalCAP will contribute other available funds at a slightly lower amount.

5. When do I notify CalCAP if I have extended or renewed a CalCAP enrolled loan?

Notification of extended terms will be indicated on the required quarterly report that the lender submits to CalCAP. If the enrolled portion of the loan amount has increased, then the lender must submit a new loan enrollment form with evidence of the additional borrower and lender loan premium contributions based on the increased CalCAP covered portion of the loan.

Loan Loss Reserve Questions and Answers

1. Where is the loan loss reserve maintained?

Loan loss reserve accounts are held by the CalCAP Trustee, or by a CalCAP lender upon approval of the Executive Director. The loan loss reserve account must be held in a federally insured, demand deposit, interest-bearing account, with no fees [Section 8073(c)].

2. How much of a CalCAP loan premium must I charge the borrower?

The CalCAP lender must charge 1 to 3.5 percent of the enrolled loan amount to the borrower for deposit in the CalCAP loan loss reserve account [Section 8070(d)]. The CalCAP lender determines the loan premium amount to charge the borrower and pays an equal premium.

3. Is there a way for a lender not to pay the CalCAP loan premium?

YES. The borrower can agree to pay both the lender and borrower loan premiums. They must, however, sign the "Borrower Agreement to Pay Lender". This would then be included with the enrollment application when it is submitted to CalCAP.

4. How much does CalCAP contribute to the lender's loss reserve account?

Generally, CalCAP matches the borrower and the lender premium. For example:

ENROLLED LOAN AMOUNT = **\$100,000**
Borrower premium (2%) = \$2,000
Lender premium (2%) = \$2,000
CalCAP contribution (4%) = \$4,000
Total loss reserve contribution = \$8,000

However, if the small business is not eligible to receive Federal fund contributions, other CalCAP funds may be available at a lower matching amount.

ENROLLED LOAN AMOUNT = **\$100,000**
Borrower premium (2%) = 2,000
Lender premium (2%) = 2,000
CalCAP contribution (3%) = 3,000
Total loss reserve contribution = \$ 7,000

Claim Reimbursement Questions & Answers

1. When should I file a claim for reimbursement on a CalCAP loan?

A lender can file a claim by submitting a CalCAP Financial Institution Claim Application within 120 days of charging off all or part of a defaulted loan. The lender may file a claim for reimbursement of a loss before the liquidation of collateral or the realization of personal or other financial guarantees, or recovery of outstanding amounts from other sources [Section 8074(a-d)].

2. Can I defer a claim?

YES. The lender may defer making a claim for up to 180 days from the date of charge off, but must still notify CalCAP in writing within 120 days of the charge off.

3. What if I recover funds after a claim has been paid?

The lender will reimburse the loss reserve account the amount received, less expenses related to recovery. The reimbursement is essentially the amount of money needed to fully recover the lender's loss on the loan, even if a portion of the loan was not enrolled in CalCAP. Recoveries which exceed reimbursements to the loss reserve account may be retained by the lender.

4. What if I don't have enough in my loss reserve account to pay a claim?

If there is not enough money in a lender's loss reserve account to fully cover the loss, the lender can withdraw the amount in the loss reserve account at that time (less the interest accrued). Once the loss reserve account is replenished, the lender can withdraw additional funds to fully cover the earlier claim, as long as that does not exceed 75% of the loss reserve account at that time.

VII. SAMPLE LOAN ENROLLMENT APPLICATIONS, CERTIFICATIONS & FORMS

Samples of forms required by CalCAP are provided in this Chapter for quick reference. Lenders should refer to the CalCAP SB website to download the most current forms:

 <http://www.treasurer.ca.gov/cpcf/calcap/sb/index.asp>

1. CalCAP Small Business Lending Loan Enrollment Application

<p>CALIFORNIA CAPITAL ACCESS PROGRAM California Pollution Control Financing Authority CalCAP@treasurer.ca.gov</p>	<p>915 Capitol Mall, Room 457 Sacramento, CA 95814 Fax (916) 589-2805</p>
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CalCAP Use Only	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">CalCAP Loan #</td> <td style="width: 50%;"></td> </tr> <tr> <td>Date Received</td> <td></td> </tr> </table>	CalCAP Loan #		Date Received	
CalCAP Loan #					
Date Received					

CalCAP LOAN ENROLLMENT APPLICATION

Lender Information

Participating Lender _____ Lender ID# _____

Loan Officer Name _____ Phone _____

Loan Officer Email _____

Borrower Information

Name _____ DBA _____

Address _____ City _____ County _____ Zip _____

Type of Business/Activities _____ What year was the business incorporated or opened? _____

Annual Revenues Last Fiscal Year \$ _____ Average Annual Revenue Last 3 Years \$ _____

Number of Employees _____ Number of Full Time Equivalents _____ Jobs created _____ Jobs retained _____

Is business located in a Severely Affected Community? ☐ Yes ☐ No

Will loan monies be used at above address? ☐ Yes ☐ No If no, location where loan will be used:

Address _____ City _____ County _____ Zip _____

NAICS Code <http://www.census.gov/eos/www/naics/> Census Tract # <http://www.fdic.gov/Geocode/default.aspx>

Purpose of Loan _____

Is business minority owned? ☐ Yes ☐ No ☐ Decline to Answer Is business woman owned? ☐ Yes ☐ No ☐ Decline to Answer

Is business veteran owned? ☐ Yes ☐ No ☐ Decline to Answer

Loan Information

Is this loan enrolled in any other government guarantee program? ☐ Yes ☐ No If Yes, name the program: _____

What percent of loan is enrolled in other program? _____% What percentage of loan is being enrolled in CalCAP? _____%

Lender Loan Number _____ Type of Loan: ☐ Line of Credit ☐ Term Loan

Total Loan Amount \$ _____ Loan Amount Enrolled in CalCAP \$ _____

Date of First Disbursement (Date of Loan) _____ Maturity Date _____

Interest Rate _____% ☐ Fixed ☐ Variable Is the loan secured? ☐ Yes ☐ No

Is this loan a restructure of a prior CalCAP Loan? ☐ Yes ☐ No If Yes, provide the CalCAP Loan # _____

Remaining balance on loan being restructured: \$ _____ Amount of increase requested: \$ _____

Borrower Premium \$ _____ % Lender Premium \$ _____ %

Is an Independent Contributor being used to pay the premiums? ☐ Yes ☐ No If yes, Name of Contributor Program _____

When complete, please send to: CalCAP@treasurer.ca.gov or by fax (916) 589-2805

Revised April 5, 2012

Borrower Name

Lender Loan Number

By enrolling this loan the Participating Financial Institution certifies, based in part on information provided by the Borrower (please initial each item):
* all capitalized terms are defined in 4 CCR §8070 of the California Code of Regulations.

- ☐ The loan is a Qualified Loan as defined in 4 CCR §8070(s) of the California Code of Regulations.
- ☐ The business receiving the Qualified Loan is a Qualified Business, as defined in 4 CCR §8070(r) or 4 CCR §8078.2(c) of the California Code of Regulations.
- ☐ The Qualified Loan is for a business activity that has its Primary Economic Effect in California as defined in 4 CCR §8070(o) of the CPCFA Regulations.
- ☐ The Participating Financial Institution will provide information from financial records of the Borrower upon request of the Executive Director of the CPCFA, and the Participating Financial Institution has obtained the consent of the Borrower to such disclosure.
- ☐ The Participating Financial Institution has obtained a written representation from the Borrower that the Borrower has no legal, beneficial or equitable interest in the Fees or the Matching Contribution.
- ☐ The enrolled amount of the loan does not exceed \$2,500,000.
- ☐ The Participating Financial Institution has notified the Borrower if the Participating Financial Institution's share of the Fees for the Qualified Loan has been paid by the Borrower.
- ☐ The Participating Financial Institution has obtained a written representation from the Borrower that it has secured or made application for all applicable licenses or permits needed to conduct its business.
- ☐ The Participating Financial Institution has not, and will not, enroll the same loan or portion thereof in any other government program substantially similar to the Program.
- ☐ The Borrower has received the CPCFA/CalCAP Privacy Notice.

For participation in the Federal fund, the Participating Financial Institution must obtain the following assurances from the Borrower per 4 CCR §8078.2 of the California Code of Regulations:

- ☐ The loan is used for a business purpose allowed by the U.S. Treasury.
- ☐ The loan will not be used for purposes prohibited by the U.S. Treasury.
- ☐ The loan will not be used to finance ineligible businesses prohibited by the U.S. Treasury.

For participation in the Federal fund, the Lender hereby certifies to the State the following:

- ☐ The loan has not been made in order to place under the protection of the state program prior debt that is not covered under the state program and that is or was owed by the borrower to the lender or to an affiliate of the lender.
- ☐ The loan is not a refinancing of a loan previously made to that borrower by the lender or an affiliate of the lender.
- ☐ The lender is not attempting to enroll the unguaranteed portions of SBA-guaranteed loans.

As required by Section 3011(c)(2) of the Small Business Jobs Act of 2010, the private entity hereby certifies to the State that the Principals of the private entity have not been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this Certification, Principal means the following: if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20% or more ownership interest in the partnership; and if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity.

The Participating Financial Institution acknowledges that its lending activities are subject to safety and soundness standards as set forth in any applicable federal banking regulations.

Authorized Lender Signature		Title	Date
California Pollution Control Financing Authority Use Only			
CalCAP Loan Number	Analyst's Initials	Date	Reviewer's Initials
FUND %	FUND %	FUND %	FUND %
Contribution Amount \$	Contribution Amount \$	Contribution Amount \$	Date:

When complete, please send to: CalCAP@treasurer.ca.gov or by fax (916) 589-2805

Revised April 5, 2012

2. CalCAP Small Business Borrower Agreement to Pay Lender Fees

CALIFORNIA CAPITAL ACCESS PROGRAM
California Pollution Control Financing Authority
CalCAP@treasurer.ca.gov

915 Capitol Mall, Room 457
Sacramento, CA 95814
Fax (916) 589-2805

CalCAP BORROWER'S AGREEMENT TO PAY LENDER'S FEES

Lender Loan # _____	Total amount enrolled in CalCAP or advance for this transaction _____
Lender Premium \$ _____ % _____	*Note: The Lender and Borrower Premiums must match.
Borrower Premium \$ _____ % _____	
Total Premium Contribution to be paid to CalCAP \$ _____ % _____	
Total Premium Contribution to be paid by the Borrower \$ _____ % _____	

Pursuant to 4 CCR §8072(c)(22), the Borrower hereby acknowledges and agrees to pay all or a portion of the total CalCAP premium contribution to include their premium, as well as, all or a portion of the Lender's premium for the aforementioned loan.

Borrower's Name

Business Name

Borrower Signature

Date

Please submit with Loan Enrollment Application to CalCAP@treasurer.ca.gov

Revised April 17, 2012

3. CalCAP Small Business Borrower Certification

BORROWER CERTIFICATION FOR SMALL BUSINESS LOAN ENROLLMENTS

Your loan is being enrolled in the California Capital Access Program (CalCAP). You are the "Borrower". By signing this document below, you certify to the following:

- Borrower is a small business concern as defined in 4 CCR §8070(r) of the California Code of Regulations which state:
(r) "Qualified Business" and "Small Business Concern" means a business as set forth in Health and Safety Code Section 44559.1 subdivision (i) and (m), that is not dominant in its field of operation, and that together with affiliates, has 500 or fewer employees. * (i) "Qualified business" means a small business concern that meets both of the following criteria, regardless of whether the small business concern has operations that affect the environment:
(1) It is a corporation, partnership, cooperative, or other entity, whether that entity is a nonprofit entity or an entity established for profit that is authorized to conduct business in the state.
(2) It has its primary business location within the boundaries of the state.
(m) "Small business concern" has the same meaning as in Section 632 of Title 15 of the United States Code, or as otherwise provided in regulations of the authority.
- "Primary business location in California" as defined in 4 CCR §8070(n) of the California Code of Regulations means that a business will be deemed to be located in California if either:
(1) a majority of the employees of the business are located in California; or
(2) the Executive Director determines that the Primary business location is in California by finding that the average of the "Payroll Factor" as defined in Revenue and Taxation Code Section 25132, the "Income Factor" as defined in Revenue and Taxation Code Section 25128, and the "Sales Factor" as defined in Revenue and Taxation Code Section 25134 is greater than 50 percent.
- Borrower obtained a loan that is for a business activity that has its primary economic effect in California as defined in 4 CCR §8070(o) of the California Code of Regulations which state:
(o) "Primary economic effect in California" means, as applied to a business activity, that either of the following conditions exists:
At least 51 percent of the total revenues of the business activity are generated in California; or
At least 51 percent of the total jobs of the business activity are created or retained in California.
- Borrower agrees to allow the participating financial institution to provide information from financial records of the Borrower upon request of the Executive Director of the CPCFA.
- Borrower has no legal, beneficial or equitable, interest in the fees or the matching contribution.
- The maximum loan amount is \$5,000,000 and the Borrower is limited to a maximum of \$2,500,000 enrolled over a 3 year period.
- Borrower was notified, in writing, if the participating financial institution's share of the fees for the qualified loan were paid by the Borrower.
- Borrower has secured or made application for all applicable licenses or permits needed to conduct its business.
- Borrower has received the CPCFA/CalCAP Privacy Notice.

Whenever your loan is related to Federal Funds, the following Borrower assurances apply:

The loan proceeds will be used for a "business purpose." Business purpose includes, but is not limited to, start up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. The definition of business purpose excludes: activities that relate to acquiring or holding passive investments, such as commercial real estate ownership and the purchase of securities; and lobbying activities, as defined in Section 3(7) of the Lobbying Disclosure Act of 1995, P.L. 104-65, as amended.

The loan proceeds will not be used to:

- Repay a delinquent federal or state income taxes unless the Borrower has a payment plan in place with the relevant taxing authority.

- Repay taxes held in trust or escrow, e.g. payroll or sales taxes.
- Reimburse funds owed to any owner, including any equity injection or injection of capital for the business' continuance.
- Purchase any portion of the ownership interest of any owner of the business.

Borrower is not:

- An executive officer, director, or principal shareholder of the lender.
- A member of the immediate family of an executive officer, director, or principal shareholder of the lenders.
- A related interest of an executive officer, director, principal shareholder, or member of the immediate family.

For the purposes of these three restrictions, the terms "executive officer", "director", "principal shareholder", "immediate family", and "related interest" refer to the same relationship to a lender as the relationship described in part 215 of title 12 of the Code of Federal Regulations, or any successor to such part.

The borrower is not:

- A business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business.
- A business that earns more than half of its annual net revenue from lending activities, unless the business is a non-bank or non-bank holding company Community Development Financial Institutions.
- A business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants.
- A business engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution).
- A business engaged in gambling enterprises, unless the business earns less than 33% of its annual net revenue from lottery sales.

As required by Section 3011(c)(2) of the Small Business Jobs Act of 2010, the private entity hereby certifies to the participating State that the Principals of the private entity have not been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this Certification, Principal means the following: if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20% or more ownership interest in the partnership; and if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity.

Business Name *(please print)*

Individual Name *(please print)*

Signature of above Individual

Lender Loan #

Individual Title *(as it pertains to the business)*

Date

4. CalRecycle Borrower Certification

Department of Resources Recycling and Recovery
And California Pollution Control Financing Authority
Agreement Number: DRR11072
Attachment A (Page 1 of 2)

Department of Resources Recycling and Recovery (CalRecycle)
1001 I Street, Attn: RMDZ Loan Program, Mail-stop #9, Sacramento, CA 95814

BORROWER PROJECT ELIGIBILITY CRITERIA AND CERTIFICATION FORM **(Revised May 2012)**

The undersigned Borrower hereby applies for CalRecycle funds to pay the borrower's and lender's premium for participation in the California Pollution Control Financing Authority (CPCFA) California Capital Access Program (CalCAP). The lender will submit this form with the standard CalCAP Loan Enrollment Form to CPCFA. For assistance, see CalRecycle contact information below.

Eligible Applicants and Projects*:

(Check an appropriate box)

- ☐ **SOURCE REDUCTION:** Applicant is a business that practices, or proposes to practice, appropriate source reduction by performing specific actions that cause a material net reduction in the generation of solid waste in the production of a product.
- ☐ **REUSE:** Applicant is a business that reuses a product (not a material) which has served its useful life, and provides new value to the product, by reconditioning, reprocessing, or some other value-added process which makes the product usable again for its original intended purpose. In all cases, the project must demonstrate that it will have a reduction in the amount of material being disposed of in California's landfills.
- ☐ **RECYCLING:** Applicant is a business that recycles by using post-consumer or secondary materials to produce a value-added finished product or provides necessary intermediate processing of a recycled/recovered material. A value-added product is one in which a material has changed its character or composition through a manufacturing process. This differs from collecting, sorting, and baling of recycled/recovered material for convenience or ease of transportation.

The full project criteria and examples may be viewed on the CalRecycle website at:
www.CalRecycle.ca.gov/rmdz/loans

Corporations and limited liability companies must be duly authorized to do business in California and properly registered with the Secretary of State (SOS). The SOS website is <http://kepler.sos.ca.gov/>

In all cases, the borrower agrees to annually submit documentation, upon request of CalRecycle, to verify annual diversion of solid non-hazardous waste from California's landfills.

*The materials and or products that are source reduced, reused, or recycled exclude metals, electronic waste, and hazardous waste.

(Business Name)

(Website)

Proposed Loan Amount

Borrower's Premium

Lender's Premium

(Borrower's Signature and Title)

(Date)

(Business Address)

(Phone Number)

CalRecycle Approval:

CalRecycle approves paying the borrower's and lender's premiums to participate in CalCAP.

By: _____
(Signature) (Date)

- ☐ Tim Brannan, Loan Officer
Email: Tim.Brannan@CalRecycle.ca.gov
Phone: (916) 341-6408
Fax: (916) 319-7549
- ☐ Shirley Hom, Loan Officer
Email: Shirley.Hom@CalRecycle.ca.gov
Phone: (916) 341-6227
Fax: (916) 319-7362
- ☐ Govindan Viswanathan, Loan Officer
Email: Govindan.Viswanathan@CalRecycle.ca.gov
Phone: (916) 341-6536
Fax: (916) 319-7523
- ☐ Jim La Tanner, Supervisor
Email: Jim.LaTanner@CalRecycle.ca.gov
Phone: (916) 341-6497
Fax: (916) 319-7665

5. CalCAP Small Business Privacy Notice

STATE OF CALIFORNIA

CALIFORNIA POLLUTION CONTROL

FINANCING AUTHORITY

915 Capitol Mall, Room 457

Sacramento, CA 95814

Telephone: (916) 654-5610

Telecopier: (916) 657-4821



Privacy Notice

The California Information Practices Act of 1977 (Civil Code §1798.17) requires that this notice be provided when a governmental agency collects the personal information of individuals. Name, address, telephone number, gender, race, business and financial information related to this loan is requested by the California Capital Access Program (CalCAP) of the California Pollution Control Financing Authority for the purposes of statistical reporting on loan activities and assessing compliance with CalCAP program requirements. It is mandatory for the lender to provide this information to CalCAP. Failure to provide the information may result in rejection of the application.

The information may be disclosed under the following circumstances: (1) to consultants, auditors or contractors retained by the California Pollution Control Financing Authority where disclosure is required to fulfill CalCAP program requirements; (2) to another governmental entity where required by state or federal law; or (3) as otherwise required by law.

The agency official responsible for the maintenance of the personal information is the CalCAP Program Manager, at 915 Capitol Mall, Suite 457, Sacramento, CA 95814, Tel: (916) 654-5610. California Code of Regulations §8072 authorizes the solicitation and maintenance of the personal information requested. Borrowers have the right to access their information upon request by contacting the CalCAP Program Manager.

Copy to Borrower: DO NOT Submit to CalCAP

Revised April 6, 2012

6. CalCAP Small Business Financial Institution Claim Application

CALIFORNIA CAPITAL ACCESS PROGRAM
California Pollution Control Financing Authority

915 Capitol Mall, Room 457
Sacramento, CA 95814
Telephone (916) 654-5610
Fax (916) 589-2805

CalCAP FINANCIAL INSTITUTION CLAIM APPLICATION

NOTE: A lender is required to notify the Authority within 120 days of when the lender has charged off all or part of a qualified loan as a result of default by a borrower. If the form is filled out properly and the lender has faithfully complied with CalCAP requirements, CPCFA will authorize the Program trustee to reimburse the lender from the lender's loss reserve account within 30 business days.

Lender and Borrower Information

Participating Lender: _____ Lender's CalCAP ID #: _____
Lender Contact: Name: _____ CalCAP Loan Number: _____
Phone: _____ Borrower's Name: _____
Address: _____ Borrower DBA: _____

Loan Information

Original Principal Amount of Loan: _____ Date of Loan: _____
Default Amount: _____ Date of Default: _____
Is this loan secured? ☐ Yes ☐ No Date of Charge-off: _____

If yes, what form of security _____

Was the loan in the first \$1 million of CalCAP loans made by lender? ☐ Yes ☐ No

Have enforcement proceedings begun? ☐ Yes ☐ No

Lender's priority of claim (If two or more claims filed by lender): _____

Claim Information

Outstanding Principal	\$ _____
Accrued and Unpaid Interest	\$ _____
Out-of-pocket expenses (Attach detailed explanation)	\$ _____
Total	\$ _____

Please attach loan history report.

- The lender warrants this claim is being filed within 120 days of the loan being charged off and that charge-off was consistent with the lender's usual methods for taking action on loans not enrolled in the Program.
- Lender will, as CPCFA's agent, pursue additional recovery on this defaulted loan through legal proceedings, seizure and liquidation of collateral, guarantees, and/or other sources.
- Lender certifies it has given notice to the Authority of the initial enrollment of the loan in CalCAP, and either:
(1) has given notice to the Authority of any renewals or extensions of the loan; or
(2) the loan was continuously renewed or extended since the date of its initial enrollment in CalCAP.

Authorized Signature _____ Date _____

Title _____

California Pollution Control Financing Authority Use Only		
Authorized Signature	Date	Amount \$

When complete, please send to: CalCAP@treasurer.ca.gov or by fax (916) 589-2805

Revised February 14, 2012

VIII. REGULATIONS

A. CalCAP Regulations

CURRENT TEXT OF REGULATIONS (December 2013)

Title 4. Business Regulations Division 11. California Pollution Control Financing Authority. Article 7. Capital Access Program for Small Businesses

§ 8070. Definitions.

In addition to the definitions in Section 8020, the following terms shall have the following definitions, unless the context requires otherwise:

(a) "Borrower" means a Qualified Business which obtains a Qualified Loan from a Participating Financial Institution.

(b) "Contribution" means any or all eligible funds deposited to a Loss Reserve Account.

(c) "Executive Director" means the Executive Director of the California Pollution Control Financing Authority, or his or her designee from time to time.

(d) "Fees" or "Fee" and "Premiums" or "Premium" means a non-refundable fees or fee as set forth in Health and Safety Code Section 44559.4(c).

(e) "Financial Institution" means an institution as set forth in Health and Safety Code Section 44559.1(d). Financial Institution also includes microbusiness lenders, as defined in Section 13997.2 of the Government Code that make small business loans and require a minimum of four hours of preloan business technical and/or credit assistance to borrowers and a minimum of two hours of postloan assistance each year, and are subject to an audit requirement by its Federal or State regulated funding source.

(f) "Independent Contributor" means any individual, company, corporation, institution, foundation, utility, government agency or other entity, including any consortium of these persons or entities, whether public or private (but excluding any Borrower), that, pursuant to the provisions of this Article, deposits Contributions to a Loss Reserve Account.

(g) "Individual" means a natural person, together, if applicable, with any of his or her spouse, parents, siblings or children or the parents or spouse of any of them.

(h) "Law" means Article 8 (commencing with Section 44559) of Chapter 1 of Division 27 of the California Health and Safety Code, as amended from time to time.

(i) "Loss Reserve Account" means an account held by a Program Trustee or by any Participating Financial Institution that is established and maintained by the Authority for the benefit of a Participating Financial Institution for the purposes set forth in Section 8073 and Section 8078.2.

(j) "Matching Contribution" means a contribution to a Loss Reserve Account as set forth in Health and Safety Code Section 44559.4(d).

(k) "Money Market Fund" means an open-ended management investment company regulated under the Investment Company Act of 1940, as amended, which values its securities pursuant to Section 270.2a-7 of Title 17 of the Code of Federal Regulations.

(l) "Participating Financial Institution" means a Financial Institution that has been approved by the Authority to enroll Qualified Loans in the Program and has agreed to all terms and conditions set forth in the Law and this Article and as may be required by any applicable federal law providing matching funding.

(m) "Passive Real Estate Ownership" means ownership of real estate for the purpose of deriving income from speculation, trade or rental, but does not include any of the following:

(1) The ownership of that portion of real estate being used or intended to be used for the operation of the business of the owner of the real estate; or

(2) The ownership of real estate for the purpose of construction or renovation, until the completion of the construction or renovation phase.

For purposes of clause (1) above, the Borrower must be using or planning to use upon acquisition or construction of a building, at least 51 percent of the space in an existing building or at least 67 percent of the space in a newly constructed building. The requirements of clause (1) above will be deemed to be satisfied when a Participating Financial Institution makes a Qualified Loan to an Individual, or to a partnership or trust wholly owned or controlled by one or more Individuals, for the purpose of financing property that will be leased to a Qualified Business that is wholly owned by those same Individuals, and in such case the Qualified Loan will be deemed to be made also to such Qualified Business.

(n) "Primary business location in California" means that a business will be deemed to be located in California if either:

(1) a majority of the employees of the business are located in California; or

(2) the Executive Director determines that the Primary business location is in California by finding that the average of the "Payroll Factor" as defined in Revenue and Taxation Code Section 25132, the "Income Factor" as defined in Revenue and Taxation Code Section 25128, and the "Sales Factor" as defined in Revenue and Taxation Code Section 25134 is greater than 50 percent.

(o) "Primary economic effect in California" means, as applied to a business activity, that either of the following conditions exists:

(1) At least 51 percent of the total revenues of the business activity are generated in California; or

(2) At least 51 percent of the total jobs of the business activity are created or retained in California.

(p) "Program" means the Capital Access Loan Program for Small Businesses established pursuant to the Law.

(q) "Program Trustee" means a bank or trust company, or the State Treasurer, chosen by the Authority from time to time to hold or administer some or all of the Loss Reserve Accounts.

(r) "Qualified Business" and "Small Business Concern" means a business as set forth in Health and Safety Code Section 44559.1 subdivision (i) and (m), that is not dominant in its field of operation, and that together with affiliates, has 500 or fewer employees.

(s) "Qualified Loan" means a loan or a portion of a loan made by a Participating Financial Institution to a Qualified Business for any business activity that has its Primary economic effect in California. A Qualified Loan may be made in the form of a line of credit, in which case the Participating Financial Institution shall specify the amount of the line of credit to be covered under the Program, which may be equal to the maximum commitment under the line of credit or an amount that is less than the maximum commitment. A Qualified Loan may be made in the form of a TRAC Lease when the Loan Loss Reserve Account is funded from an Independent Contributor. "Qualified Loan" does not include any of the following:

(1) A loan for the construction or purchase of residential housing.

(2) A loan to finance Passive Real Estate Ownership.

(3) A loan for the refinancing of debt already held by the Participating Financial Institution other than a prior Qualified Loan enrolled under the Program, except to the extent of any increase in the outstanding balance.

(4) A loan, the proceeds of which will be used

(A) to provide any of the following facilities, regardless of the source of funds used for the Authority's matching contribution: massage parlor, hot tub facility, racetrack, facility primarily used for gambling or to facilitate gambling, liquor store, bar, a store or other facility whose principal

business is the sale of firearms, a store or other facility whose principal business is the manufacture or sale of tobacco or tobacco products, escort service, nudist camp, adult entertainment (including strip clubs, adult book stores, and businesses whose principal business is the sale of pornography), gun club, shooting range or gallery.

(B) to provide any of the following facilities when the Authority's matching contributions will be paid for with fees from the issuance of tax-exempt bond sales, all items listed in (A) and: a store whose principal business is the sale of alcoholic beverages for consumption off premises, private or commercial golf course, country club, spas that provide massage services, tennis club, skating facility (including roller skating, skateboard, and ice skating), racquet sports facility (including any handball or racquetball court), suntan facility, airplane, aircraft, skybox (or other private luxury box), health club facility.

(C) in any manner that could cause the interest on any bonds previously issued by the Authority to become subject to federal income tax, as specified in writing to all Participating Financial Institutions by the Executive Director.

(5) any loan or portion thereof to the extent the same loan or portion thereof has been, is being, or will be enrolled in any other government program substantially similar to the Program.

(6) any loan that exceeds \$5,000,000.

(7) any loan or portion thereof to the extent that enrollment of the loan will cause the Borrower (including all related entities among which a common enterprise exists) to have a total enrolled principal amount in excess of \$2,500,000 at any Participating Financial Institution over a three-year period.

(t) "Severely Affected Community" means any area classified as an enterprise zone pursuant to the Enterprise Zone Act, Chapter 12.8 (commencing at Section 7070) of Division 7 of Title 1 of the California Government Code; any area, as designated by the Executive Director, contiguous to the boundaries of a military base designated for closure pursuant to Public Law 101-150, as amended; and any other comparable economically distressed geographic area so designated by the Executive Director from time to time.

(u) "Small Business Assistance Fund" means a fund of that name created by the Authority.

(v) "Standards" means the criteria to be used by an Independent Contributor in assisting businesses through the Program.

(w) "TRAC Lease" means "Terminal Rental Adjustment Clause" as defined in Section 7701 (h) (3) of Title 26 of the United States Code.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Sections 44559.1, 44559.2, 44559.3, 44559.4, 44559.5, 44559.7, 44559.9 and 44559.12, Division 27, Health and Safety Code.

§ 8071. Application by Financial Institution.

(a) A Financial Institution seeking to participate in the Program will complete a registration application provided by the Authority.

The application shall include the following information:

(1) name of applicant Financial Institution.

(2) name, address and telephone number of contact person.

(3) combined capital and surplus as of the end of the Financial Institution's most recent fiscal year.

(4) number of lending branches.

(5) certification that the applicant Financial Institution is not subject to a cease and desist order or other regulatory sanction with the appropriate federal or state regulatory body, which would impair its ability to participate in the Program, and the name of that body.

(6) a full description of the board of directors, including number, race, ethnicity and gender of its members.

(7) the Financial Institution's rating from a nationally recognized credit rating agency which assesses the financial soundness and stability of financial institutions.

(8) the Financial Institution's agreement to follow the Program's procedures as set forth in the Law and this Article.

(9) the Financial Institution's agreement to permit an audit of any of its records relating to enrolled Qualified Loans, during normal business hours on its premises, by the Authority or its agents, and to supply such other information concerning enrolled Qualified Loans as shall be requested by the Executive Director.

(10) acknowledgment by the Financial Institution that the Authority and the State will have no liability to the Participating Financial Institution under the Program except from funds deposited in the Loss Reserve Account for the Participating Financial Institution.

(b) Upon receipt of a completed application, the Executive Director will within 10 days review and determine whether additional information is required, or whether the application is sufficient to permit the applicant to be a Participating Financial Institution. The Executive Director's decision whether an application is sufficient shall be final.

(c) A Participating Financial Institution shall be authorized to request the Authority to establish two or more Loss Reserve Accounts for such institution, so that the institution shall be able to allocate any Qualified Loan enrolled under Section 8072 to whichever Loss Reserve Account it designates.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.

Reference: Section 44559.2, Division 27, Health and Safety Code.

§ 8072. Loan Enrollment.

(a) The terms and conditions of Qualified Loans, including interest rates, fees and other conditions, shall be determined solely by agreement of the Participating Financial Institution and the Borrower.

(b) A Participating Financial Institution shall be authorized to enroll under the Program all or a part of any Qualified Loan:

(1) by notifying the Authority in writing, within 15 business days after the Qualified Loan is made, that it is enrolling a Qualified Loan. For purposes of this section, the date on which the Participating Financial Institution makes a Qualified Loan is the date on which the Participating Financial Institution first disburses proceeds of the Qualified Loan to the Borrower; and

(2) by transmitting to the Authority the Fees collected from the Participating Financial Institution and the Borrower, or from an Independent Contributor on behalf of the Borrower and/or the Authority, in connection with the Qualified Loan, and by providing written evidence that the Fees have been deposited in a Loss Reserve Account held by either the Participating Financial Institution or the Program Trustee.

(c) The notification to the Authority shall include at least the following information:

(1) Borrower name, D/B/A (if any), and the business address.

(2) Brief description of the Borrower's business and regular activities, either the SIC Code(s) or the NAICS Code(s) applicable to such business, and the amount of its annual revenues.

(3) Whether this business has been open for two years or more, and is owned by one of the following: a woman, minority, or veteran.

(4) Brief summary of the intended use of the proceeds of the Qualified Loan.

(5) Amount of the Qualified Loan being enrolled (and indication if less than the full amount of the Qualified Loan is being enrolled) and the lender loan number.

- (6) Type of the Qualified Loan (e.g., line of credit, term loan, TRAC Lease).
 - (7) Date of the Qualified Loan.
 - (8) Interest rate applicable to the Qualified Loan.
 - (9) Term or maturity date of the Qualified Loan.
 - (10) Geographic location of the Qualified Business and the location of the facilities being financed if different.
 - (11) Whether the Qualified Business or the location of the facilities being financed is in a Severely Affected Community.
 - (12) Whether the loan is secured.
 - (13) Whether the loan is a refinancing, and if so, whether the prior loan was enrolled under the Program, and whether the amount of the loan was increased as part of the refinancing.
 - (14) Agreed amount of the Fees payable by each of the Borrower and the Participating Financial Institution.
 - (15) Whether any portion of the Fees payable by the Borrower or the Contribution was or is to be paid by an Independent Contributor; the identity of such Independent Contributor; and a certification that the Independent Contributor has approved the use of its funds to pay such Fees or Contribution in connection with the Qualified Loan.
 - (16) Number of persons currently employed by the Borrower, and number of jobs expected to be created, retained or affected by the Qualified Loan.
 - (17) Certification that the loan is a Qualified Loan, and that the business receiving the Qualified Loan is a Qualified Business.
 - (18) Certification that the Qualified Loan is for a business activity that has its Primary economic effect in California.
 - (19) Certification that, upon request of the Executive Director, the Participating Financial Institution will provide information from the financial records of the Borrower, and that the Participating Financial Institution has obtained the consent of the Borrower to such disclosure.
 - (20) Certification that the Participating Financial Institution has obtained a written representation from the Borrower that it has no legal, beneficial or equitable interest in the Fees or the Contribution.
 - (21) Certification that the enrolled amount of the loan does not exceed \$2,500,000.
 - (22) Certification that the Participating Financial Institution has notified the Borrower if the Participating Financial Institution's share of the Fees for the Qualified Loan have been paid by the Borrower.
 - (23) Acknowledgment that the lending activities of the Participating Financial Institution are subject to any applicable safety and soundness standards as set forth in applicable federal banking regulations.
- The Participating Financial Institution shall be authorized to base the information requested by subsections (4), (16), (17), (18) and (21) above upon representations made to it by the Borrower; provided that no such Borrower representation may be relied upon if it is known to be false by the lending officer(s) at the Participating Financial Institution who are directly involved in the negotiation of the Qualified Loan.
- (24) Certification that the Participating Financial Institution has obtained a written representation from the Borrower that it has secured or made application for all applicable licenses or permits needed to conduct business.
 - (25) Certification from the Participating Financial Institution that it has not, and will not, enroll the same loan or portion thereof in any other government program substantially similar to the Program.
- (d) If a Borrower seeking a loan from a Participating Financial Institution has less than a majority of its employees in California, the Participating Financial Institution shall be authorized to submit information to, and seek a determination from, the Executive Director that such Borrower

has its Primary business location in California. Such determination shall be made by the Executive Director within 10 days of receipt of a written request from a Participating Financial Institution containing information about the business activities of the proposed Borrower.

(e) If a Borrower seeking a Qualified Loan from a Participating Financial Institution is an employee, member, director, officer, principle shareholder, or affiliate of the Participating Financial Institution, the terms and the conditions of the Qualified Loan and the internal procedures used to approve the Qualified Loan must comply with the following requirements:

(1) If the Participating Financial Institution is a federal-chartered bank, the Qualified Loan must be made in accordance with all applicable federal banking laws that regulate conflicts of interests and insider transactions and Sections 371c, 371c-1, 375a, and 375b of the Title 12 of the United States Code, and Sections 215.4 of Title 12 of the Code of Federal Regulations.

(2) If the Participating Financial Institution is a state-chartered bank, the Qualified Loan must be made in accordance with all applicable state banking laws that regulate conflicts of interests and insider transactions and Section 3370 et seq. of the Financial Code, and Sections 10.19300 to 10.19302 of Title 10 of the California Code of Regulations.

(3) If the Participating Financial Institution is a federal-chartered savings association, the Qualified Loan must be made in accordance with all applicable federal banking laws that regulate conflicts of interests and insider transactions and Section 1468 of Title 12 of the United States Code.

(4) If the Participating Financial Institution is a state-chartered savings association, the Qualified Loan must be made in accordance with all applicable state banking laws that regulate conflicts of interests and insider transactions and Sections 6503 and 6529 of the Financial Code.

(5) If the Participating Financial Institution is a federal-chartered credit union, the Qualified Loan must be made in accordance with all applicable federal banking laws that regulate conflicts of interests and insider transactions and Sections 1757 and 1761c of Title 12 of the United States Code and Section 701.21(d) of Title 12 of the Code of Federal Regulations.

(6) If the Participating Financial Institution is a state-chartered credit union, the Qualified Loan must be made in accordance with all applicable state banking laws that regulate conflicts of interests and insider transactions and Section 15050 of the Financial Code.

(7) If the Participating Financial Institution is a not-for-profit certified community development financial institution (CDFI), the Qualified Loan must be made in accordance with all applicable federal banking laws that regulate conflicts of interests and insider transactions and Sections 1805.807 of Title 12 of the Code of Federal Regulations.

(8) If the Participating Financial Institution is a lending institution as described in Section 44559.1(d)(2) of the Health and Safety Code, the Qualified Loan must be made in accordance with any applicable federal laws that regulate conflicts of interests and insider transactions and Section 120.140 of Title 13 of the Code of Federal Regulations.

(f) The Participating Financial Institution may pre-qualify with the Authority any qualified loan. Pre-qualifications do not necessarily guarantee that funds will be available at the time of final enrollment, unless the funding source requires it. Pre-qualifications shall be valid for six (6) months.

(g) The Authority shall, upon receipt of documentation and Fees from the Participating Financial Institution, enroll the Qualified Loan if the Executive Director determines that the Qualified Loan meets the requirements of the Law and this Article. The Executive Director shall notify the Participating Financial Institution of enrollment within 15 business days after receipt by the Authority of all documentation and Fees required by the Law and/or this Article. The Executive Director's determination whether a loan shall be enrolled in the Program shall be final. The Executive Director shall be authorized to review an application for enrollment submitted by a Participating Financial Institution in advance of the making of the loan, and notify the institution whether such loan meets the requirements of the Law and this Article.

(h) Upon enrollment of a Qualified Loan, the Contribution shall be transferred for deposit in the

Loss Reserve Account (1) by the Authority or (2) by an Independent Contributor, and the Program Trustee shall notify the Participating Financial Institution of the transfer and of the source of funds from which the transfer was made.

(i) If the amount is increased, or previously enrolled CalCAP loans are combined, a new loan enrollment form shall be submitted, and Fees (if applicable) shall be transmitted or deposited pursuant to Section 8072(b)(2) based on the increased amount.

(j) Without regard to the terms of the loan, the term of enrollment in the Program shall not exceed ten years.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Sections 44559.2, 44559.4 and 44559.12, Division 27, Health and Safety Code.

§ 8073. Loss Reserve Accounts.

(a) Upon the Executive Director's acceptance of an application under Section 8071, the Authority shall establish a Loss Reserve Account for that Participating Financial Institution for the following purposes:

(1) to receive all Fees deposited by the Participating Financial Institution, Borrowers and/or Independent Contributors;

(2) to receive Matching Contributions deposited by the Authority and/or Independent Contributors; and

(3) to pay claims in accordance with Section 8074.

(b) The Loss Reserve Account shall, in the Authority's sole determination, be held by the Participating Financial Institution or by a Program Trustee.

(c) Any Loss Reserve Account held in a Participating Financial Institution shall be an interest-bearing demand account or deposit account at a banking institution, or a Money Market Fund approved by the Executive Director, or a combination thereof, and earning a rate of interest that would be expected of accounts of similar type and size. The Loss Reserve Account shall be insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or the Securities Investor Protection Corporation, as appropriate, to the extent permitted by law. The Authority shall not deposit any Loss Reserve Account with a Participating Financial Institution if:

(1) there are any charges by the Participating Financial Institution for the establishment or maintenance of the Loss Reserve Account at such Financial Institution; or

(2) at the time the Loss Reserve Account is established with the Participating Financial Institution, it has a rating below "75" from IDC Financial Publishing Inc.'s Bank Financial Quarterly, S&L-Savings Bank Financial Quarterly, or Credit Union Financial Profiles; or it has a rating of "C" or below from LACE Financial Corp; or it has a rating below "11" from Highline Inc.'s Bank Quarterly or S&L Quarterly or successor publication approved by the Executive Director.

(d) All moneys in a Loss Reserve Account are property of the Authority (subject to the Participating Financial Institution's right to receive a portion of the remaining balance in the Loss Reserve Account upon its withdrawal from the Program pursuant to Section 8076 and subject to subsection (e) below). Interest or income earned on moneys credited to the Loss Reserve Account shall be deemed to be part of the Loss Reserve Account. The Executive Director shall be authorized to withdraw from the loss reserve all interest and income that has been credited to the loss reserve account as set forth in Health and Safety Code Section 44559.3(d). The Executive Director shall be authorized to return to a Participating Financial Institution any fees improperly deposited in a Loss Reserve Account.

(e) Notwithstanding any other provision of this article, the Executive Director shall be authorized, with the approval of the applicable Participating Financial Institution, to assign, transfer, pledge or

create security interests in all or a portion of any Loss Reserve Account to any other entity or entities (including a trustee of a securitization trust or trusts) in connection with the securitization of all or a portion of the Participating Financial Institution's loans enrolled in the Program.

(f) The Participating Financial Institution shall provide information to the Authority regarding the status of accounts, enrolled loans, claims and recoveries upon request.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Sections 44559.3 and 44559.8, Division 27, Health and Safety Code.

§ 8074. Claim for Reimbursement.

(a) A Participating Financial Institution shall notify the Authority within 120 days after it has charged off all or part of a Qualified Loan as a result of a default.

(b) A Participating Financial Institution shall be authorized to make a claim for reimbursement of a loss from the enrolled portion of a Qualified Loan prior to the liquidation of collateral, or to realization on personal or other financial guarantees or from other sources. A Participating Financial Institution may also defer, for a period not to exceed 180 days from the date of the charge off, at its sole discretion, making a claim for reimbursement, but still must inform the Authority of charge off status within 120 days.

(c) The Authority shall pay claims within 30 days of receipt of a completed claim request; provided, however, that the Executive Director shall be authorized to reject a claim if it is determined that the representations and warranties provided by the Participating Financial Institution pursuant to Section 8072 at the time of enrolling the Qualified Loan were false. The Authority shall be authorized, upon providing written notice to the Participating Financial Institution, to defer payment of claims up to an additional 30 days if the Authority requires more information in order to determine if the claim shall be paid.

(d) Claim reimbursement shall not exceed the enrolled amount of the qualified loan or loans that form the basis for the claim, except when reasonable out-of-pocket expenses are claimed. In the event only a portion of the loan was enrolled, reimbursement of interest and out-of-pocket expenses will be limited to the ratio of the enrolled portion to the total loan amount.

(e) To make a claim, the Participating Financial Institution shall submit a claim form to the Authority which shall include the following information:

- (1) Name and number of the Participating Financial Institution.
- (2) Name, address and telephone number of contact person.
- (3) Name of the business receiving the defaulted Qualified Loan.
- (4) Amount and date of the Qualified Loan and the Authority's loan number.
- (5) Date of default.
- (6) Amount of default.
- (7) Amount of claim and breakdown of components of the claim between principal, interest, and reasonable out-of-pocket expenses of collection or preservation of collateral, accompanied by documentation of such expenses.

(8) Certification that notice was filed with the Authority as required by Section 8074(a) above within 120 days of the date the Participating Financial Institution charged the Qualified Loan off on its books, and certification that such charge off was made in a manner consistent with the Participating Financial Institution's usual methods for taking action on loans which are not enrolled as Qualified Loans under the Program.

(9) Statement whether the loan is secured, and whether the Participating Financial Institution has commenced enforcement proceedings.

(10) If two or more claims are filed simultaneously by one Participating Financial Institution, a statement of the priority of payment of the claim compared to the other claims in the event the

Loss Reserve Account is not sufficient to pay all claims.

(11) Statement whether the Qualified Loan qualifies under Section 8074(g).

(f) Except as provided in Section 8074(g) below, if a Qualified Loan suffers a loss and at the time of the Participating Financial Institution's claim there are insufficient funds in the Loss Reserve Account to cover the total amount of the claim, the Participating Financial Institution shall be able to withdraw all of the amount in the Loss Reserve Account at the time of the claim, to cover the loss to the fullest extent possible, but it shall thereafter not be eligible to obtain any further reimbursement relating to that claim.

(g) If a Qualified Loan suffers a loss, and at the time of the claim there is not enough money in the Loss Reserve Account to fully cover the loss, the Participating Financial Institution shall be able to withdraw all of the amount in the Loss Reserve Account at the time of the claim, to cover the loss to the fullest extent possible. If the Participating Financial Institution then continues making Qualified Loans under the Program and the Loss Reserve Account is replenished, the Participating Financial Institution shall be authorized to withdraw funds from the Loss Reserve Account at a subsequent time in order to fully cover the earlier claim, provided that the amount subsequently withdrawn to cover the earlier claim cannot exceed 75 percent of the amount in the Loss Reserve Account immediately prior to such subsequent withdrawal.

(h) If subsequent to the payment of a claim by the Authority, the Participating Financial Institution recovers from the Borrower, from liquidation of collateral or from any other source, amounts for which the Participating Financial Institution was reimbursed by the Authority, the Participating Financial Institution shall promptly pay to the Authority for deposit in the Loss Reserve Account, the amount received, net of reasonable and customary costs of collection, that in aggregate exceeds the amount needed to fully cover the Participating Financial Institution's loss on the Qualified Loan (including the portion of a Qualified Loan which is not enrolled in the Program). Recoveries which exceed reimbursements to the Loss Reserve Account may be retained by the Participating Financial Institution.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.

Reference: Section 44559.5, Division 27, Health and Safety Code.

§ 8075. Subrogation.

(a) The Authority will be subrogated to the rights of the Participating Financial Institution in collateral, personal guarantees and all other forms of security for the Qualified Loan that have not been realized upon by the Participating Financial Institution, when the participating Financial Institution's loss has been fully covered by payment of a loss claim, or by a combination of payment of a loss claim and recovery from the Borrower, liquidation of collateral, or from other sources.

(b) At the time of subrogating its rights, the Participating Financial Institution shall provide the Authority with all original security agreements, any documents evidencing title to real property, certificates of title, guarantees, and any other documents representing security for the Qualified Loan, duly recorded and perfected, and accompanied by enforceable assignments and conveyances to the Authority, unless such security documents also secure indebtedness to the Participating Financial Institution which was not covered by the Qualified Loan. In such latter case, the Participating Financial Institution shall enter into an intercreditor agreement with the Authority, providing that the Participating Financial Institution shall be entitled to recover under such security documents, to the extent possible, the full amount of its loss on any indebtedness not covered by the Qualified Loan but secured by the same collateral as the Qualified Loan; the balance of any amounts recovered under such security documents shall be deposited in the Loss Reserve Account. The Participating Financial Institution shall provide regular reports, as

requested by the Executive Director, concerning its activities in collecting moneys owed from a defaulted Borrower.

(c) The Executive Director shall be authorized to enter into agreements with any Participating Financial Institution to provide for such institution to act as the Authority's agent to secure recovery under any collateral or security documents to which the Authority has been subrogated.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Section 44559.2, Division 27, Health and Safety Code.

§ 8076. Termination and Withdrawal from Program.

(a) A Participating Financial Institution shall be authorized to withdraw from the Program after giving written notice to the Authority. Such notice shall specify either:

(1) that the Participating Financial Institution waives any further interest in the Loss Reserve Account (including for the reason that all Qualified Loans covered by the Loss Reserve Account have been repaid); or

(2) that the Participating Financial Institution will not enroll any further loans under the Program but that the Loss Reserve Account shall continue in existence to secure all Qualified Loans enrolled prior to such notice.

(b) After receipt of a notice under subsection (a)(1) or receipt of a certificate from a Participating Financial Institution which has withdrawn from the Program pursuant to subsection (a)(2), certifying that all Qualified Loans secured by the Loss Reserve Account have been repaid and that there are no pending claims for reimbursement under Section 8074, the remaining balance in the Loss Reserve Account shall be distributed to the Authority; provided that with respect to moneys deposited in the Loss Reserve Account after January 1, 1999 (and assuming all claims made after January 1, 1999 are first allocated to moneys on deposit prior to that date), such moneys shall be distributed to the Authority and to the Participating Financial Institution in the amount of the Authority Share and the Participating Financial Institution Share, respectively. For purposes of this Section 8076, "Authority Share" means the ratio of the contributions made by the Authority (or any Independent Contributor on behalf of the Authority) to the Loss Reserve Account in question from January 1, 1999 to the date of calculation, to the total amount of contributions made to such Loss Reserve Account during that period, and "Participating Financial Institution Share" means 100 minus the Authority Share.

(c) The Executive Director shall be authorized to terminate participation of a Participating Financial Institution in the Program, by notice in writing, upon the occurrence of any of the following:

(1) entry of a cease and desist order, regulatory sanction, or any other action against the Participating Financial Institution by a regulatory agency that may impair its ability to participate in the Program;

(2) failure of the Participating Financial Institution to abide by the Law or this Article; or

(3) failure of the Participating Financial Institution to enroll any Qualified Loans under the Program for a period of one year.

(4) Provision of false or misleading information regarding the Participating Financial Institution to the authority, or failure to provide the authority with notice of material changes in submitted information regarding the Participating Financial Institution.

In the event of such termination, the Participating Financial Institution shall not be authorized to enroll any further Qualified Loans, but all previously enrolled Qualified Loans shall continue to be covered by the Loss Reserve Account until they are paid, claims are filed, or the Participating Financial Institution withdraws from the Program pursuant to Section 8076(a)(1).

(d) If for a consecutive 12-month period the amount in the Loss Reserve Account continuously

exceeds the outstanding balance of all the Participating Financial Institution's Qualified Loans made since the beginning of the Program, the Executive Director shall be authorized to withdraw any such excess to bring the Loss Reserve Account down to an amount equal to 100 percent of the outstanding balance, in the following manner: (i) first, distributions shall be made to the Authority up to an amount allocable to the moneys on deposit in the Loss Reserve Account on January 1, 1999 (assuming all claims made after January 1, 1999 are first allocated to moneys on deposit prior to that date) and (ii) further distributions shall be made to the Authority and to the Participating Financial Institution based on the Authority Share and the Participating Financial Institution Share, respectively.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Section 44559.2, Division 27, Health and Safety Code.

§ 8077. Reports of Regulatory Agencies.

The Executive Director shall be authorized to seek information directly from any federal or state regulatory agency concerning any Participating Financial Institution participating in the Program.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Section 44559.2, Division 27, Health and Safety Code.

§ 8078. Participation in the Program by Certain Public or Private Entities.

(a) The Authority shall be authorized to permit any individual, company, corporation, institution, utility, government agency or other entity, including any consortium of these persons or entities, to become an Independent Contributor after such person or entity

(1) submits to the Authority its Standards; provided that the Authority shall not enforce compliance by the Independent Contributor with its Standards;

(2) represents to the Authority that it will not enter into an exclusive arrangement with a particular Participating Financial Institution, but that it is prepared to work with any Participating Financial Institution under the Program;

(3) agrees to indemnify the Authority against any loss, liability or claim arising from the use of the Independent Contributor's funds in the Program;

(4) represents to the Authority that it understands and intends to abide by the provisions of the Law and this Article with regard to its participation in the Program; and

(5) deposits with the Program Trustee an initial amount of at least \$15,000 to be used to pay Fees payable by Borrowers and/or Contributions in connection with Qualified Loans, or receives a written waiver from the Executive Director of this requirement.

(6) agrees to reimburse the Authority for any reasonable costs related to the Independent Contributor's participation in the program, unless waived by the Authority.

(b) An Independent Contributor shall advise the Authority at any time the Standards provided to the Authority pursuant to Section 8078(a)(1) above are changed.

(c) The Authority shall be authorized to terminate an Independent Contributor's participation in the Program at any time, upon written notice, for any cause, including, but not limited to, failure to maintain a minimum deposit of at least \$5,000 with the Program Trustee. An Independent Contributor shall be authorized to terminate its participation in the Program at any time, upon written notice.

(d) An Independent Contributor must pay all fees of the Program Trustee attributable to the funds that the Independent Contributor deposits with the Program Trustee.

(e) Fees and Contributions paid by Independent Contributors shall not be subject to the

maximums set forth in Health and Safety Code Section 44559.4(c).

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Sections 44525, 44526, 44559.3 and 44559.9, Division 27, Health and Safety Code.

§ 8078.1. Preferred Lenders.

(a) Where an Independent Contributor elects to pay the matching contribution and the borrower's fee or the matching contribution and all fees and funds are available, designated Participating Financial Institutions can participate as preferred lenders and process, close, service, and liquidate California Capital Access Program guaranteed loans with reduced requirements for documentation to and prior approval by the Authority.

(b) Before it can operate as a preferred lender, the Participating Financial Institution must:

(1) Submit for review and approval by the Authority a preferred lender supplemental lender enrollment agreement, which will specify a term not to exceed two years. The application shall include the following information:

(A) name of applicant Financial Institution.

(B) name, address and telephone number of contact person.

(C) combined capital and surplus as of the end of the Financial Institution's most recent fiscal year.

(D) number of lending branches.

(E) certification that the applicant Financial Institution is not subject to a cease and desist order or other regulatory sanction with the appropriate federal or state regulatory body, which would impair its ability to participate in the Program, and the name of that body.

(F) a full description of the board of directors, including number, race, ethnicity and gender of its members.

(G) the Financial Institution's rating from a nationally recognized credit rating agency which assesses the financial soundness and stability of financial institutions.

(H) the Financial Institution's agreement to follow the Program's procedures as set forth in the Law and this Article.

(I) the Financial Institution's agreement to permit an audit of any of its records relating to enrolled Qualified Loans, during normal business hours on its premises, by the Authority or its agents, and to supply such other information concerning enrolled Qualified Loans as shall be requested by the Executive Director.

(J) acknowledgment by the Financial Institution that the Authority and the State will have no liability to the Participating Financial Institution under the Program except from funds deposited in the Loss Reserve Account for the Participating Financial Institution.

(2) Demonstrate a satisfactory performance history with the California Capital Access Program.

(3) Provide the Authority with a plan which clearly outlines how the Participating Financial Institution will train individuals authorized to submit loans for enrollment in the Program.

(c) Upon receipt of a completed application, the Executive Director will within 10 days review and determine whether additional information is required, or whether the application is sufficient to permit the applicant Financial Institution to participate. The Executive Director's decision whether an application is sufficient shall be final.

(d) When the supplemental lender enrollment agreement expires, the Authority may recertify a Participating Financial Institution for an additional term not to exceed two years. Prior to recertification, the Authority will review a Participating Financial Institution's loans, policies and procedures.

(e) Except as specified in this paragraph and paragraph (f), section 8072 shall not apply to the

enrollment of a Qualified Loan by a preferred lender. A Participating Financial Institution is required to notify the Authority within ten (10) business days of its approval of a preferred lender's loan by submitting to the Authority loan appropriate documentation, as set forth in California Code of Regulations Title 4, Division 11, Section 8072(a), (b)(1), (c), (d), (e), (g), (h), and (i) signed by the Participating Financial Institution authorized representatives. Upon receipt of the appropriate documentation for a Qualified Loan by the Authority and Trustee, the Matching Contribution shall be transferred for deposit in the Loss Reserve Account by an Independent Contributor, and the Program Trustee shall notify the Participating Financial Institution of the transfer and the source of funds from which the transfer was made.

(f) The Authority shall, upon receipt of documentation from the Participating Financial Institution, verify the enrollment of and provide a California Capital Access Program loan number for the Qualified Loan if the Executive Director determines that the Qualified Loan meets the requirements of the Law and this Article. The Executive Director shall notify the Participating Financial Institution of enrollment within 10 business days after receipt by the Authority of all documentation required by the Law and/or this Article. The Executive Director's determination whether a loan shall be enrolled in the Program shall be final.

(g) If the Executive Director determines that the Qualified Loan does not meet the requirements of the Law and this Article the Authority will notify the Participating Financial Institution detailing the issue and requesting reimbursement of the contribution related to the Qualified Loan.

(h) The Participating Financial Institution is responsible for all loan decisions regarding creditworthiness. The Participating Financial Institution is also responsible for confirming that all loan closing decisions are correct, and that it has complied with all requirements of the Law and Program regulations.

(i) The Authority may review the performance of a Participating Financial Institution with respect to its preferred lender status.

(j) The Authority may suspend or revoke a preferred lender status upon written notice to the Participating Financial Institution providing the reasons at least 10 business days prior to the effective date of the suspension or revocation. Reasons for suspension or revocation include lender violations of applicable statutes, regulations or Authority policies and procedures.

Note: Authority cited: Sections 44520 and 44559.5(f), Division 27, Health and Safety Code.
Reference: Sections 44559, 44559.1, 44559.2, 44559.3, 44559.4, 44559.5, 44559.7 and 44559.9, Division 27, Health and Safety Code.

§ 8078.2. Federal Capital Access Program and Funding.

(a) Where the Contribution comes from funds provided under the State Small Business Credit Initiative enacted pursuant to the Small Business Jobs Act (H.R. 5297, Public Law No. 111-240) the following shall apply, notwithstanding any other provision of this article, to the extent allowed by the Small Business Jobs Act (H.R. 5297, Public Law No. 111-240) (Small Business Jobs Act):

(b) "Participating Financial Institution" also includes all those listed in Health and Safety Code Section 44559.1(d) and all certified community development financial institutions whether or not organized for profit.

(c) The Participating Financial Institution must obtain written assurance from the Borrower that:

- (1) the loan will be used for a business purpose;
- (2) the loan will not be used to repay delinquent federal or state income taxes unless the borrower has a payment plan in place with the relevant taxing authority;
- (3) the loan will not be used to repay taxes held in trust or escrow;
- (4) the loan will not be used to reimburse funds owed to any owner, including any equity

injection or injection of capital for the business' continuance;

(5) the loan will not be used to purchase any portion of the ownership interest of any owner of the business;

(6) the loan will not be used for business purposes prohibited by the U.S. Treasury;

(7) the loan will not be used to finance ineligible businesses;

(8) no principal of the borrowing entity has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act 42 U.S.C. §16911); and

(9) the Borrower is not:

(A) an executive officer, director, or principal shareholder of the Participating Financial Institution;

(B) a member of the immediate family of an executive officer, director, or principal shareholder of the Participating Financial Institution; or

(C) a related interest of such executive officer, director, principal shareholder, or member of the immediate family of the Participating Financial Institution.

(d) Ineligible businesses include, but are not limited to, the following business types:

(1) a business engaged in speculative activities that develop profits from fluctuations in price rather than through the normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of legitimate risk management strategies to guard against price fluctuations related to the regular activities of the business;

(2) a business that earns more than half of its annual net revenue from lending activities; unless the business is a non-bank or non-bank holding company certified as a Community Development Financial Institution;

(3) a business engaged in pyramid sales plans, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants;

(4) a business engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted. Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution; or

(5) a business engaged in gambling enterprises, unless the business earns less than one-third of its annual net revenue from lottery sales.

(6) other businesses that may be restricted by federal fund law or the Department of Treasury.

(e) The Participating Financial Institution must provide written assurance affirming the following:

(1) the Qualified Loan has not been made in order to place under the protection of the CalCAP prior debt that is not covered under CalCAP and that is or was owed by the Borrower to the Participating Financial Institution or to an affiliate of the Participating Financial Institution;

(2) the Qualified Loan is not a refinancing of a loan previously made to the borrower by the Participating Financial Institution or an affiliate of the Participating Financial Institution;

(3) no principal of the Participating Financial Institution has been convicted of a sex offense against a minor (as such terms are defined in Section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. §16911));

(4) the Participating Financial Institution will make available to the Treasury Inspector General all books and records related to the use of the Allocated Funds, subject to the Right of Financial Privacy Act (12 U.S.C. §3401 et seq.) as applicable; and

(5) the Participating Financial Institution is in compliance with the requirements of 31 C.F.R. §103.121.

- (f) Federal capital access funds shall not be used for the following:
- (1) activities that relate to acquiring or holding passive investments such as commercial real estate ownership, the purchase of securities; and lobbying activities as defined in Section 3(7) of the Lobbying Disclosure Act of 1995. P.L. 104-65, as amended;
 - (2) financing a non-business purpose;
 - (3) covering the unguaranteed portions of an SBA loan unless CalCAP receives prior written consent of the U.S. Treasury;
 - (4) supporting existing extension of credit, including but not limited to prior loans, lines of credit or other borrowings that were previously made available as part of a state small business credit enhancement program.
- (g) The federal Matching Contribution shall be equal to the sum of the Fees paid by the Borrower and Participating Financial Institution, unless another amount is allowed by the Small Business Jobs Act.
- (h) No more than \$5,000,000 shall be borrowed by any one Borrower using the State Small Business Credit Initiative funds, unless another amount is allowed by the Small Business Jobs Act.
- (i) Any Borrower or Participating Financial Institution fees assessed by the Authority as allowed by the Small Business Job Act may be deposited in a Loss Reserve Account.
- (j) Claims for reimbursement may be processed according to the requirements of the Small Business Jobs Act.

Note: Authority cited: Sections 44520 and 44559.5(f), Health and Safety Code. Reference: Sections 44559.2, 44559.4 and 44559.11, Health and Safety Code.

B. California Health & Safety Code

Division 27. California Pollution Control Financing Authority Act. Article 2. Organization of Authority

44520. (a) The authority shall, in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, adopt all necessary rules and regulations to carry out its powers and duties under this division. The authority may call upon any board or department of the state government for aid and assistance in the preparation of plans and specifications and in the development of technology necessary to effectively control pollution.

(b) Notwithstanding subdivision (a), the authority, or any other agency implementing a small business or brownfield site financing assistance program pursuant to an interagency agreement with the authority, may adopt regulations relating to small business or brownfield site financing as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that Chapter 3.5, including Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare. The regulations shall be repealed 180 days after their effective date, unless the adopting authority or agency complies with that Chapter 3.5.

(c) Notwithstanding subdivision (a), the authority, or any other agency implementing a loan program pursuant to an interagency agreement with the authority, may adopt regulations relating to the loans and grants authorized under subdivision (g) of Section 44526 as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that Chapter 3.5, including Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare. The regulations shall be repealed 180 days after their effective date, unless the adopting authority or agency complies with that Chapter 3.5.

Division 27. California Pollution Control Financing Authority Act. Article 8. Capital Access Loan Program for Small Businesses

44559. (a) The Legislature finds and declares that small businesses are responsible for a significant amount of environmental emissions in the state, but are less able than larger businesses to afford the investment in new equipment or process modifications needed to comply with environmental regulations, with regard to controlling emissions, preventing the creation of pollutants, contaminants, or waste products, and remediating contamination of properties with a reasonable potential for economically beneficial reuse. Additionally, small businesses faced with financial pressures will be likely to reduce expenditures to achieve environmental compliance. Better access to capital will allow small businesses to more easily comply with environmental mandates, and to remediate contamination of properties with a reasonable potential of economically beneficial reuse, and to succeed economically, generating additional revenue to state and local governments that can be used for environmental improvements, all to the benefit of all the residents of the state.

(b) The Legislature also finds and declares that it is in the best interest of the state to expand the Capital Access Loan Program for small business regardless of whether the operations of the small business affect the environment, and to permit business loans to be included in the program for small businesses whose operations do not, necessarily, affect the environment. Small businesses have difficulty gaining access to capital for startup and expansion purposes. Small businesses owned by minorities and women have special capital access difficulties. In addition, small businesses operating in areas affected by military base closures are disadvantaged by limited access to capital. The Legislature finds that improving access to capital for these small businesses will spur investment, create jobs, expand economic opportunities, assist in the recovery of communities affected by defense and aerospace losses, assist in the recovery of neighborhoods and communities affected by contaminated properties that are not being used for economically beneficial purposes but which could be so used if the contamination was remediated, and help sustain and strengthen economic recovery in California.

44559.1. As used in this article, unless the context requires otherwise, all of the following terms have the following meanings:

- (a) "Authority" means the California Pollution Control Financing Authority.
- (b) "California Capital Access Fund" means a fund created within the authority to be used for purposes of the program.
- (c) "Executive director" means the Executive Director of the California Pollution Control Financing Authority.
- (d) (1) "Financial institution" means a federal- or state-chartered bank, savings association, credit union, not-for-profit community development financial institution certified under Part 1805 (commencing with Section 1805.100) of Chapter XVIII of Title 12 of the Code of Federal Regulations, or a consortium of these entities. A consortium of those entities may include a nonfinancial corporation, if the percentage of capitalization by all nonfinancial corporations in the consortium does not exceed 49 percent.
- (2)(A) "Financial institution" also includes a lending institution that has executed a participation agreement with the Small Business Administration under the guaranteed loan program pursuant to Part 120 (commencing with Section 120.1) of Chapter I of Title 13 of the Code of Federal Regulations and meets the requirements of Section 120.410 of Chapter I of Title 13 of the Code of Federal Regulations, a small business investment company licensed pursuant to Part 107 (commencing with Section 107.20) of Chapter I of Title 13 of the Code of Federal Regulations, and a small business financial development corporation, as defined in Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code, or microbusiness lender, as defined in Section 13997.2 of the Government Code, that meets standards that shall be established by the authority. For loans where all or part of the fees and matching contributions are paid by an entity participating in the program pursuant to subdivision (e) of Section 44559.2, "financial institution" also includes financial lenders, as defined in Section 22009 of the Financial Code, making commercial loans, as defined in Section 22502 of the Financial Code.
- (B) A financial institution described in paragraph (2) shall be domiciled or have its principal office in the State of California.
- (3) "Financial institution" also includes an insured depository institution, as these terms are defined in Section 4702 of Title 12 of the United States Code.
- (e) "Loss reserve account" means an account in the State Treasury or any financial institution that is established and maintained by the authority for the benefit of a financial institution participating in the Capital Access Loan Program established pursuant to this article for the purposes of the following:

(1) Depositing all required fees paid by the participating financial institution and the qualified business.

(2) Depositing contributions made by the state and, if applicable, the federal government or other sources.

(3) Covering losses on enrolled qualified loans sustained by the participating financial institution by disbursing funds accumulated in the loss reserve account.

(f) "Participating financial institution" means a financial institution that has been approved by the authority to enroll qualified loans in the program and has agreed to all terms and conditions set forth in this article and as may be required by any applicable federal law providing matching funding.

(g) "Passive real estate ownership" means ownership of real estate for the purpose of deriving income from speculation, trade, or rental, but does not include any of the following:

(1) The ownership of that portion of real estate being used or intended to be used for the operation of the business of the owner of the real estate.

(2) The ownership of real estate for the purpose of construction or renovation, until the completion of the construction or renovation phase.

(h) "Program" means the Capital Access Loan Program created pursuant to this article.

(i) "Qualified business" means a small business concern that meets both of the following criteria, regardless of whether the small business concern has operations that affect the environment:

(1) It is a corporation, partnership, cooperative, or other entity, whether that entity is a nonprofit entity or an entity established for profit, that is authorized to conduct business in the state.

(2) It has its primary business location within the boundaries of the state.

(j) (1) "Qualified loan" means a loan or a portion of a loan made by a participating financial institution to a qualified business for any business activity that has its primary economic effect in California. A qualified loan may be made in the form of a line of credit, in which case the participating financial institution shall specify the amount of the line of credit to be covered under the program, which may be equal to the maximum commitment under the line of credit or an amount that is less than that maximum commitment. A qualified loan made under the program may be made with the interest rates, fees, and other terms and conditions agreed upon by the participating financial institution and the borrower.

(2) "Qualified loan" does not include any of the following:

(A) A loan for the construction or purchase of residential housing.

(B) A loan to finance passive real estate ownership.

(C) A loan for the refinancing of an existing loan when and to the extent that the outstanding balance is not increased.

(D) A loan, the proceeds of which will be used in any manner that could cause the interest on any bonds previously issued by the authority to become subject to federal income tax.

(k) "Severely affected community" means any area classified as an enterprise zone pursuant to the Enterprise Zone Act (Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code), any area, as designated by the executive director, contiguous to the boundaries of a military base designated for closure pursuant to Section 2687 of Title 10 of the United States Code, as amended, and any other comparable economically distressed geographic area so designated by the executive director from time to time.

(l) "Small Business Assistance Fund" means a fund created within the authority pursuant to Section 44548.

(m) "Small business concern" has the same meaning as in Section 632 of Title 15 of the United States Code, or as otherwise provided in regulations of the authority.

44559.2. (a) The authority may contract with any financial institution for the purpose of allowing the financial institution to participate in the Capital Access Loan Program established by this article.

(b) For purposes of this section, the authority may contract with participating financial institutions and shall utilize a standard form of contract that is reviewed and approved by the Department of General Services. The standard form of contract shall provide for all of the following:

(1) The creation of a loss reserve account by the authority for the benefit of the financial institution.

(2) The financial institution, qualified business, and the authority will deposit moneys to the credit of the institution's loss reserve account when the financial institution makes a qualified loan to a qualified business.

(3) The liability of the state and the authority to the financial institution under the contract is limited to the amount of money credited to the loss reserve account of the institution.

(4) The financial institution shall provide the information that the authority may require, including financial information that is identifiable with, or identifiable from the financial records of a particular customer who is the recipient of a qualified loan. In addition to any other information that the authority may require, the financial institution shall provide the complete North American Industry Classification System (NAICS) for the qualified business, the number of jobs created, the number of jobs retained, and information that provides the precise geographic location of both the qualified business and the borrower, if different.

(5) The financial institution will file a report with the executive director setting out a full description of the board of directors, including size, race, ethnicity, and gender.

(6) The participating financial institution will require each borrower, prior to receiving a loan under the program, to sign a written representation to the participating financial institution that the borrower has no legal, beneficial, or equitable interest in the nonrefundable premium charges or any other funds credited to the loss reserve account established by the authority for the participating financial institution.

(7) Other terms that the authority may require for purposes of this article.

(c) A financial institution is not subject to laws restricting the disclosure of financial information when the financial institution provides information to the authority as required by paragraph (4) of subdivision (b).

(d) A credit union operating pursuant to a certificate issued under the California Credit Union Law (Division 5 (commencing with Section 14000) of the Financial Code) may participate in the Capital Access Loan Program established pursuant to this article only to the extent participation is in compliance with the California Credit Union Law. Nothing in this article shall be construed to limit the authority of the Commissioner of Financial Institutions to regulate credit unions subject to the commissioner's jurisdiction under the California Credit Union Law.

(e) Any individual, company, corporation, institution, utility, government agency, or other entity, including any consortium of these persons or entities, whether public or private, may participate in the Capital Access Loan Program established pursuant to this article by depositing funds in the California Capital Access Fund under those terms and conditions as may be deemed appropriate by the authority.

44559.3. (a) The authority shall establish a loss reserve account for each financial institution with which the authority makes a contract.

(b) The loss reserve account for a financial institution shall consist of moneys paid as fees by borrowers and the financial institution, moneys transferred to the account from a small business assistance fund, any matching federal moneys, and any other moneys provided by the authority or other source.

(c) Notwithstanding any other provision of law, the authority may establish and maintain loss reserve accounts with any financial institution under such policies as the authority may adopt.

(d) All moneys in a loss reserve account established pursuant to this article are the exclusive property of, and solely controlled by, the authority. Interest or income earned on moneys credited to the loss reserve account shall be deemed to be part of the loss reserve account. The authority may withdraw from the loss reserve account all interest or other income that has been credited to the loss reserve account. Any withdrawal made pursuant to this subdivision may be made prior to paying any claim and shall be used for the sole purpose of offsetting costs associated with carrying out the program, including administrative costs and loss reserve account contributions.

(e) The combined amount to be deposited by the participating financial institution into any individual loss reserve account over a three-year period, in connection with any single borrower or any group of borrowers among which a common enterprise exists, shall be not more than one hundred thousand dollars (\$100,000).

44559.4. (a) If a financial institution that is participating in the Capital Access Loan Program established pursuant to this article decides to enroll a qualified loan under the program in order to obtain the protection against loss provided by its loss reserve account, it shall notify the authority in writing on a form prescribed by the authority, within 15 days after the date on which the loan is made, of all of the following:

- (1) The disbursement of the loan.
- (2) The dollar amount of the loan enrolled.
- (3) The interest rate applicable to, and the term of, the loan.
- (4) The amount of the agreed upon premium.

(b) The executive director may authorize an additional five days for a financial institution to submit the written notification described in subdivision (a) to the authority on a loan-by-loan basis for a reason limited to conditions beyond the reasonable control of the financial institution.

(c) The financial institution may make a qualified loan to be enrolled under the program to an individual, or to a partnership or trust wholly owned or controlled by an individual, for the purpose of financing property that will be leased to a qualified business that is wholly owned by that individual. In that case, the property shall be treated as meeting the requirements of paragraph (1) of subdivision (g) of Section 44559.1.

(d) When making a qualified loan that will be enrolled under the program, the participating financial institution shall require the qualified business to which the loan is made to pay a fee of not less than 1 percent of the principal amount of the loan, but not more than 3 1/2 percent of the principal amount. The financial institution shall also pay a fee in an amount equal to the fee paid by the borrower. The financial institution shall deliver the fees collected under this subdivision to the authority for deposit in the loss reserve account for the institution. The financial institution may recover from the borrower the cost of its payments to the loss reserve account through the financing of the loan, upon the agreement of the financial institution and the borrower. The financial institution may cover the cost of borrower payments to the loan loss reserve account.

(e) When depositing fees collected under subdivision (d) to the credit of the loss reserve account for a participating financial institution, the authority shall do the following:

(1) If no matching funds are available under a federal capital access program or other source, the authority shall transfer to the loss reserve account an amount that is not less than the amount of the fees paid by the participating financial institution. However, if the qualified business is located within a severely affected community, the authority shall transfer to the loss reserve account an amount not less than 150 percent of the amount of the fees paid by the participating financial institution.

(2) If matching funds are available under a federal capital access program or other source, the authority shall transfer, on an immediate or deferred basis, to the loss reserve account the amount required by that federal program or other source. However, the total amount deposited into the loss reserve account shall not be less than the amount which would have been deposited in the absence of matching funds.

(f) This section shall remain in effect only until April 1, 2017, and as of that date is repealed, unless a later enacted statute, that is enacted before April 1, 2017, deletes or extends that date.

44559.4. (a) If a financial institution that is participating in the Capital Access Loan Program established pursuant to this article decides to enroll a qualified loan under the program in order to obtain the protection against loss provided by its loss reserve account, it shall notify the authority in writing on a form prescribed by the authority, within 15 days after the date on which the loan is made, of all of the following:

- (1) The disbursement of the loan.
- (2) The dollar amount of the loan enrolled.
- (3) The interest rate applicable to, and the term of, the loan.
- (4) The amount of the agreed upon premium.

(b) The executive director may authorize an additional five days for a financial institution to submit the written notification described in subdivision (a) to the authority on a loan-by-loan basis for a reason limited to conditions beyond the reasonable control of the financial institution.

(c) The financial institution may make a qualified loan to be enrolled under the program to an individual, or to a partnership or trust wholly owned or controlled by an individual, for the purpose of financing property that will be leased to a qualified business that is wholly owned by that individual. In that case, the property shall be treated as meeting the requirements of paragraph (1) of subdivision (g) of Section 44559.1.

(d) When making a qualified loan that will be enrolled under the program, the participating financial institution shall require the qualified business to which the loan is made to pay a fee of not less than 2 percent of the principal amount of the loan, but not more than 3 1/2 percent of the principal amount. The financial institution shall also pay a fee in an amount equal to the fee paid by the borrower. The financial institution shall deliver the fees collected under this subdivision to the authority for deposit in the loss reserve account for the institution. The financial institution may recover from the borrower the cost of its payments to the loss reserve account through the financing of the loan, upon the agreement of the financial institution and the borrower. The financial institution may cover the cost of borrower payments to the loan loss reserve account.

(e) When depositing fees collected under subdivision (d) to the credit of the loss reserve account for a participating financial institution, the authority shall do the following:

(1) If no matching funds are available under a federal capital access program or other source, the authority shall transfer to the loss reserve account an amount that is not less than the amount of the fees paid by the participating financial institution. However, if the qualified business is located within a severely affected community, the authority shall transfer to the loss reserve account an amount not less than 150 percent of the amount of the fees paid by the participating financial institution.

(2) If matching funds are available under a federal capital access program or other source, the authority shall transfer, on an immediate or deferred basis, to the loss reserve account the amount required by that federal program or other source. However, the total amount deposited into the loss reserve account shall not be less than the amount which would have been deposited in the absence of matching funds.

(f) This section shall become operative on April 1, 2017.

44559.5. (a) The authority shall establish procedures under which financial institutions participating in the program established pursuant to this article may submit claims for reimbursement for losses incurred as a result of qualified loan defaults. A participating financial institution that charges off all or part of an enrolled loan to the loss reserve account may file a claim for reimbursement with the authority if both of the following conditions are met:

(1) The claim occurs contemporaneously with the action of the participating financial institution to charge off all or part of the loan.

(2) The charge off on an enrolled loan is made in a manner that is consistent with the participating financial institution's usual method for making determinations on business loans that are not enrolled loans.

(b) Costs for which a financial institution may be reimbursed from its loss reserve account include the amount of loan principal charged off, accrued interest on the principal, reasonable out-of-pocket expenses incurred in pursuing its collection efforts, including preservation of collateral, and any other related costs. Proper documentation of the expenses shall be presented at the time of the claim.

(c) If a participating financial institution files two or more claims contemporaneously, and there are insufficient funds in the reserve fund at that time to cover the entire amount of such claims, the institution may designate the order of priority in which the claims shall be paid.

(d) A financial institution may seek reimbursement of loan losses prior to the liquidation of collateral from defaulted loans. The financial institution shall repay its loss reserve account for any moneys received as reimbursement under this section if the financial institution recovers moneys from the borrower or from the liquidation of collateral for the defaulted loan, less any reasonable out-of-pocket expenses incurred in collection of such amount.

(e) In any case in which the payment of a claim under this section has fully covered a participating financial institution's loss on an enrolled loan, the participating financial institution shall assign to the authority, and to any applicable federal agency in the event federal matching funds are involved, any right, title, or interest to any collateral, security, or other right of recovery in connection with a loan made under the program.

(f) The executive director may adopt necessary rules for the authority to carry out its duties, functions, and powers relating to the program established pursuant to this article.

44559.6. The authority shall annually prepare a report to the Governor and the Legislature that describes the financial condition and programmatic results of the capital access loan program for small businesses authorized under this article. Programmatic results shall include, but not be limited to, the total number of businesses served, jobs created, jobs retained, the geographic distribution of the loans, and the breakdown of businesses served by industry sector for all new loans issued since the report for the prior year.

44559.7. The authority may enter into agreements with commercial banks or other financial institutions, or with other agencies of the state, to provide necessary assistance in carrying out the program authorized by this article, including origination and servicing of loans.

44559.8. Notwithstanding this article, the authority may facilitate the development of a secondary market for a loan enrolled in the capital access loan program by providing security for that loan, thereby increasing participation in the program by financial institutions and improving access to capital for small businesses. For purposes of this section, the actions that the authority may take include, but are not necessarily limited to, assigning all, or a portion of, any loss reserve account to any other entity in connection with providing security for a loan, including a trustee of a securitization trust, transferring an enrolled loan from a participating financial institution to a securitization trust, and assisting underwriters in marketing a loan to the secondary market.

44559.9. The authority shall expand the Capital Access Loan Program established by this article to include outreach to financial institutions that service agricultural interests in the state for the purpose of funding air pollution control measures.

44559.11. (a) It is the intent of the Legislature to ensure that the state, through the authority, may make maximum, efficient use of capital access programs enacted by all federal and state agencies, as well as funding available from any governmental program whose goals may be advanced by providing funding to the Capital Access Loan Program.

(b) In furtherance of this intent, and notwithstanding any other provision of this article, when the contributions required pursuant to Section 44559.4 are entirely funded by a source other than the authority, the authority may, by regulation adopted pursuant to subdivision (b) of Section 44520, establish alternate provisions as necessary to enable the authority to participate in the alternative funding source program.

44559.12. (a) Consistent with subdivision (b) of Section 44559.11, the authority may establish loss reserve accounts for the purposes of financing terminal rental adjustment clause leasing, if funds are available for contribution into the loss reserve account from any source other than the authority. The authority shall not contribute any funds into a loss reserve account created pursuant to this section. Funds provided by the federal government for the purposes of providing a loan loss reserve program shall not be contributed to an account created pursuant to this section.

(b) The executive director may establish conditions for terminal rental adjustment clause leasing loss reserve accounts created pursuant to this section.

(c) As used in this section, "terminal rental adjustment clause" means "terminal rental adjustment clause" as defined in Section 7701 (h)(3) of Title 26 of the United States Code.